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26 August 1985

# Latin America Report

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26 August 1985

## LATIN AMERICA REPORT

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INTER-AMERICAN AFFAIRS

URUGUAY TO REOPEN FREE PORTS TO REGIONAL TRADE

Revitalization Discussed

Montevideo EL PAIS in Spanish 2 Jul 85 p 7

[Text] Revitalization of the free ports of Colonia and Nueva Palmira was analyzed last weekend by: Mr Jorge Sanguinetti, minister of transportation and public works; Dr Jorge Batlle, the senator who heads the Senate Finance Committee; and a group of citizens formed for this important purpose.

The objective of the meeting in which the Colonia deputy participated was to explain various aspects of these areas and suggest guidelines for a future regulation.

Dr Batlle discussed economic and industrial processes in the last decade, outlining the policy our country should implement. He pointed out how the free ports should be conceived as useful instruments for the regions they are in and for the country as a whole.

He stressed that they were responding to the current interest in learning the viewpoints of interested people in order to write a broad and viable law for effective revitalization.

Minister Sanguinetti explained the idea of free ports, providing information on their specific trade possibilities.

He emphasized that these must be viewed as part of a global policy, keeping in mind the complementation agreements that the country has signed with Argentina. These will eventually include other countries in the region. He alluded to integration processes and reaffirmed that sectorial interests must often be set aside for higher interests.

He was optimistic that Nueva Palmira can be revitalized in the near future through hydrographic projects in the port area. These will be complemented by the new free ports system.

The exchange of ideas was helpful and the meeting was considered very positive.

### Industrialists Analyze Free Ports

Montevideo LA MANANA in Spanish 4 Jul 85 p 14

[Text] The creation of and incentives for free ports in our country will be analyzed at a meeting between the minister of industry and energy and members of the Chamber of Industries of Uruguay this afternoon. Dr Carlos Piran just met with the intendant of Maldonado to discuss this topic. He also met with the president of the Rural Federation to analyze problems in marketing leather.

The topic of stimulating free ports which is tied to the industrial revitalization of the country, especially the interior, was discussed yesterday in a meeting between the minister of industry and energy and the intendant of Maldonado, Benito Stern.

According to information gathered by LA MANANA, Stern was very interested in the possibility of creating free ports in Maldonado. Therefore, the minister of industry and energy decided to invite representatives of the Chamber of Industries of Uruguay to a meeting at 1600 hours.

Also with Rural Federation

LA MANANA was told that Dr Piran's invitation is part of the policy of the Ministry of Industry and Energy so that private sectors participate in the analysis of different problems. Solutions can be agreed on that are compatible with the interests of national industry and industries in the free ports.

Another important meeting was held at Minister Piran's initiative with the president of the Rural Federation, Carlos Coubrough, and the leaders of that group: Commander Walter Pages, Dr Ignacio Zorrilla, Commander Enrique Braga and engineer Alfredo Rodriguez Sere.

LA MANANA learned that ideas were exchanged at the meeting on the leather situation, a sector that is being carefully studied by the National Directorate of Industries.

### Brazil Using Facilities

Montevideo LA MANANA in Spanish 4 Jul 85 p 15

[Text] Brazil is using the facilities of the free port of Nueva Palmira for the domestic transportation of products. This enables it to lower its transportation costs.

Reliable sources confirmed this to LA MANANA yesterday, adding important details of operations by this neighboring country.

They indicated that 21,000 tons of coal were transported at the beginning of June from the port of Imbituba (Atlantic coast of Brazil) through the free port of Nueva Palmira to the port of Corumba in the Brazilian Matto Grosso.

At the same time, they shipped 12,000 tons of manganese through Nueva Palmira. It was transported by an Argentine river fleet from Corumba to the port of Aratu, also on the Atlantic coast of Brazil, using the same ships.

This first operation was very successful. It came about through an agreement among three private enterprises (Argentine, Brazilian and Uruguayan). It will continue in the future and might even be complemented with other products transported by land from eastern Brazil to western Brazil. They have found that the best solution to river-sea transportation is the use of the port of Nueva Palmira.

7717

CSO: 3348/798



INTER-AMERICAN AFFAIRS

RADICAL SILVA REPORTS ON LUSINCHI, GARCIA TALKS

PY121509 Madrid EFE in Spanish 1602 GMT 11 Aug 85

[Text] Santiago, 11 Aug (EFE)--Radical Party President Enrique Silva Cimma today stated that his recent meetings with Peruvian President Alan Garcia and Venezuelan President Jaime Lusinchi were extraordinarily positive.

Silva Cimma, who attended the Peruvian Presidential inauguration, then traveled to Caracas where he was granted a special audience by the Venezuelan president. Concerning his meeting with Lusinchi, Silva Cimma stressed the cordial exchange of ideas on the need to defend the Latin American democracies.

Regarding his meeting with the new Peruvian head of state, Silva Cimma stressed that it was very important, because both the APRA [American Revolutionary Popular Alliance] and the Radical Party profess democratic socialism.

CSO: 3348/876

INTER-AMERICAN AFFAIRS

BRAZIL CUTS CHILE COPPER PURCHASES

PY090218 Santiago LA TERCERA DE LA HORA in Spanish 6 Aug 85 p 12

[Text] Chilean Ambassador to Brazil Javier Illanes will convey to Brazilian Foreign Minister Olavo Egídio Setúbal Chile's concern over Brazil's decision not to buy its quota of Chilean copper this year, thus tipping the balance of trade further in Brazil's favor.

Chilean Foreign Ministry spokesman Ambassador Pablo Valdes said Illanes will inquire about the decision announced by the Brazilian National Council for Nonferrous Metals and Steel, the Bank of Brazil, and the Brazilian Special Secretariat for Supply and Prices.

Valdes indicated that "there will be no complaint, but a meeting will be held to study the situation, which concerns us."

The reduction in Brazil's copper purchases, which would total 9,000 tons, is due to overproduction by the Brazilian enterprise and to the existing copper surplus.

The balance of trade now favors Brazil. In 1984, Chile sold \$227.5 million worth of goods to Brazil and bought \$294.4 million worth from Brazil. "This is a serious situation and it might get worse if there is a suspension of copper sales, however temporary," Valdes said.

CSO: 3348/876

INTER-AMERICAN AFFAIRS

BRIEFS

AGREEMENT WITH ARGENTINA--Premier Luis Percovich Roca and Argentine Ambassador Anselmo Marini have signed a technical cooperation agreement for agricultural development in southern Peru. [Summary] [Lima Cadena Panamerican Television in Spanish 0300 GMT 9 Jul 85 PY]

ECUADOR FREES CHILEAN IMPORTS--Quito, 18 Jun (AP)--It was officially reported that the Ecuadoran Government freed imports originating in and coming from Chile from payment of ad-valorem customs. The authorized imports are grapes, raisins, apples, pears, glycerine, grape wine, fungicides, herbicides, framework for buildings, newspapers and magazines, sheet metal, plates, sheets and strips of copper, mill facings, electrical equipment for wireless telephone and telegraph, etc. [Text] [Santiago EL MERCURIO in Spanish 19 Jun 85 p B-2] 7717

CSO: 3348/779

ARGENTINA

CHURCH DELEGATES ISSUE STATEMENT ON FALKLANDS

PY100251 Buenos Aires DYN in Spanish 1033 GMT 4 Aug 85

[Text] Buenos Aires, 4 Aug (DYN)--Argentine and British delegates to the World Council of Churches agreed here today on the need to reach an agreement on the Malvinas Islands sovereignty dispute and recommended that the issue be included in an agenda for bilateral negotiations between Argentina and Great Britain.

In a statement released this afternoon, the two delegations described as positive the unsolicited lifting of the British embargo on Argentine imports and the Argentine disposition to formalize the de facto cessation of hostilities in force since the end of the South Atlantic war.

The two delegations have emphasized the "profound change" that has taken place in Argentina since the inauguration of this democratic government, and noted that some of the "firm measures" adopted by this government to bring to trial those who committed crimes during the antisubversive war have not been taken into account by London.

The statement says: "The delegation of the British Council of Churches is encouraged by these significant changes which, in its opinion, has not been adequately measured by the British people."

The document was drafted by a committee of delegates from Argentina and Great Britain to the World Council of Churches.

The two delegations met in Buenos Aires on the occasion of a meeting of the World Council of Churches. In a special audience a few days ago, President Alfonsin met with delegates from all countries and lauded their efforts to promote freedom and peace among all peoples in the world.

The statement adds that "the two delegations believe their respective governments (Great Britain and Argentina) have taken some actions that can be regarded as an effort to improve the atmosphere existing between them."

In this regard, the statement mentions the British decision to lift the embargo on Argentine imports and the Argentine Government's disposition to formalize the cessation of hostilities.

The statement adds: "It is obvious, however, that these measures alone will not be instrumental in solving the conflicts."

The statement also says the two delegations "are aware of the evident, well-defined feelings" between the Argentine and British peoples.

Regarding the sovereignty problem, the statement says that in Argentina "the sovereignty claim has become part of the national heritage and dates back in history," while in Great Britain "there are also categorical positions on the subject."

In one of its principal paragraphs, the statement says that "to find a solution to this problem it will obviously be necessary to reach agreement on the sovereignty dispute."

"Whenever possible," the statement says, "the sovereignty issue should be included in an agenda along with other significant bilateral issues that could serve as a useful introduction to the study of this basic question."

In their proposal, the two church councils propose "the resumption of diplomatic relations, trade, and fishing agreements." They also expressed support for "UN resolutions and instruments" on the conflict.

"The two delegations are convinced that a profound change has taken place in Argentina since the re-establishment and consolidation of democratic institutions," the statement adds.

As proof of this assertion, the statement cites the peace treaty signed by Argentina with Chile on the Beagle Channel conflict and the public trial of the former commanders of the military regime on charges of human-rights violations.

The statement describes these measures as "firm" and notes that they are designed "to limit military influence in Argentine public life."

Finally, the churches of the two countries make it clear that "their joint efforts can in no way be regarded as negotiations," and emphasized "the importance of strengthening relations between the churches of our countries, and the decisive role the Catholic church could play in this case."

CSO: 3348/868



ARGENTINA

CODE OF MILITARY JUSTICE REFORM STUDIED

Ministries Drafting Bill

Buenos Aires CLARIN in Spanish 30 Jun 85 p 3

[Passages enclosed in slantlines printed in boldface]

[Text] The Ministry of Education and Justice is working with the Ministry of Defense on drafting /a new legislative reform to the Code of Military Justice,/ on instructions from the president. The reform will clearly delineate the scope of the /"principle of appropriate obedience,"/ according to reliable sources, and the National Executive Branch may send the bill to Congress /before next November's legislative elections./

The bill is designed to provide an /umbrella of protection/ to medium- and lower-grade officers who participated in the clandestine repression, although the exact rank at which /this benefit would begin/ has not yet been decided.

Sources explained that the study of the new reform—which will complement the changes made in the Code of Military Justice in December 1983—is the product of the /president's firm determination/ to put an end to the repercussions of the violent past. /Alfonsin/ will act on his determination, they said, /without regard for political cost./

These sources pointed out that there are /substantial differences/ between this and earlier plans studied by the president's aides. Some of the features of the new version are:

— It rejects the alternative of an "amnesty" or "national pacification" law, which was considered at one point.

— Its benefits will be /much broader/ than those originally proposed by some of the president's legal advisers, since no exception will be made under the concept of /"repressive excess,"/ as earlier proposals had advocated. It was noted, however, that this principle of immunity will not extend to /common crimes/ committed within the context of the repression.

— The reform will grant immunity /for a fixed period that will extend from 1973 to 1978,/ the peak years of subversive and state terrorist violence.

Sources admit that some constitutional provisions referring /to exceptional periods/ will probably be cited as grounds for the reform.

Minister of Justice /Carlos Alconada Aramburu/ and Secretary of Defense /Horacio Jaunarena/ were identified by sources as the men whom /Alfonsin/ had chosen to put in charge of preparing the bill.

This decision effectively kills earlier approaches, such as those advocated by presidential advisers /Malamud/ and /Nino,/ which would not have guaranteed /an effective end/ to legal prosecutions with their /"destabilizing"/ political consequences, sources said.

#### Congressmen Deny Knowledge of Plan

Buenos Aires CLARIN in Spanish 2 Jul 85 p 10

[Passages enclosed in slantlines printed in boldface]

[Text] Government party sources in Parliament say they have no specific knowledge of any plan to reform the Code of Military Justice to delineate the scope of the so-called /"appropriate obedience"/ concept.

This principle of military doctrine was already modified when that code was reformed previously, with the introduction of the civil appeal variant.

The chairman of the lower House Committee on Constitutional Affairs, /Jorge Vanossi,/ stated: /"I am unaware of the existence of any proposal or decision to make new changes in this regard."/

Other legislators who were asked about the matter indicated that the modifications of the "appropriate obedience" concept deny protection to /"executable"/ acts, which does not necessarily include the perpetration of a murder while carrying out an order, according to these Radical spokesmen.

In their opinion, any law on this matter would be based on the need to legislate what /has not yet been clarified in judicial interpretations, in which judges are upholding criminal prosecutions of active military personnel./ The most significant of these cases is that of Alfredo Astiz, a sailor. No ruling has been made yet, but the military personnel involved have been subpoenaed to testify, which would create a climate of unrest among young officers.

Judging by the statements of the legislators we consulted, it appears that only an initiative by the Executive is expected, if appropriate. So far, however, those congressmen will only make statements unconnected with those of government officials, such as those made last night by Secretary General of the Presidency /German Lopez./

The president of the Chamber of Deputies, /Juan Carlos Pugliese,/ stressed yesterday that he is not rejecting an "amnesty," but it will have to come after the trial of the former commanders is completed.

/It is assumed that specialists such as Vanossi or Senator Fernando de la Rúa or his colleague Antonio Berhongaray, chairman of the Senate Defense Committee, have not been consulted about this issue, nor has Balbino Zubiri, chairman of the same committee in the Chamber of Deputies./

All this leads to the conclusion that the /"laboratory"/ is in the Ministry of Defense, and that the Justice Ministry is not unfamiliar with the issue at hand.

8926

CS0: 3348/805

ARGENTINA

ALFONSIN'S APPROACH TO MILITARY SAID TO BE UNREALISTIC

Buenos Aires LA PRENSA in Spanish 12, 13 Jul 85

[Two-part article by Daniel Lupa: "Slim Margin for Alfonsín"]

[12 Jul 85 p 7]

[Text] In Buenos Aires there are sunny sidewalks and shady sidewalks. They vary, depending on the hour of the day, but they are almost unchangeable with the passage of the seasons. Pedestrians usually walk on the shady sidewalks in summer and on the sunny ones in winter; so that the specific businesses providing items associated with these preferences are equitably distributed in the space.

Raul Alfonsin appears to have attempted to follow this same method in delineating his military policy. And during this freezing winter of 1985, wherein even mythical snowfalls have been announced, he has made gestures indicating that he is trying to cross over to the sunny sidewalk. It only remains to be seen whether the same sidewalk is suitable for stormy weather, for protection against the rain and hail, and whether the prevailing cloudiness will lend the election meaning and value. On the other hand (as the widespread doubt indicates), did he really cross the street, or has he merely attempted a game of mirrors(hence, ultimately of images) to project light and heat, without having moved from his location?

Such metaphoric doubts represent an unquestionable fact for any regularly well informed observer: Unlike the official story which attempted to convince the public that the speech of 5 July before the Armed Forces comradeship table, set up to celebrate Independence Day, was well received by the sector for which it was primarily intended, there are rather well-founded indications that it at least proved insufficient to satisfy the demands originating among the men in uniform.

Three Categories and Two Generals

Those who closely monitor the internal incidents among the Armed Forces recognize three levels or categories of opinion at the present time: a. that of the

institutionalized top-ranking leadership; b. that of the intermediate and subordinate cadres; and, c. that of the retired.

The speech of 5 July "most likely sufficed to satisfy the higher-ranking cadres, in the military's top echelon," claim those in a position to know, "but it has hardly added anything new, or changed a single aspect in connection with the other two sectors, including ranks from lieutenant colonel to second lieutenant, and the retired cadres themselves."

The three main points in the demand made in the forces for some time now cover issues such as the military budget (in connection with the hypotheses of armed conflict approved by the president of the nation and commander in chief of the forces himself); the issue of salaries; and, on the basis of this entire broad spectrum, the proceedings against the military juntas and the Armed Forces who led the battle against the guerrilla aggression.

One element that would make it possible to gauge the predominant symptom may have been contained in the intensive exchange of views between General Flores, chief of operations for the Army Staff, and the members of the Advanced Technical School and the War College (from lieutenants to majors), on Tuesday, 2 July. Attributed to General Flores by those who managed to listen to it was the assertion that, in the area of salaries, there might be a "15 percent of the income in trouble," for officers; which prompted the demand for an explanation of the grounds that existed for such a presumption. Another statement from the high-ranking chief to the effect that the forces were "under attack from the extreme right" caused a demand similar to the previous one for an explanation, bringing about an exchange of opinions that was possibly bitter and possibly harsh, but in any event, voicing a deeper concern and an essential difference in interpretation.

Two days later, an address in the presence of the same group headed by General Dasso, logistical commander of the Staff, concerning the intense operational restrictions affecting functions to be caused by the 1986 budget, received a more comprehensive analytical participation from the students at the advanced military studies establishment, but it did not fail to express the strong dissatisfaction over the political direction being given to the forces.

Strangely enough, these two incidents occurred 3 days and 1 day before the president addressed the forces at the comradeship banquet. On those occasions, the president's decision varied from the proposal of a brief, fleeting toast to a short speech and, finally, to the by now well known document, claimed to have been decided on only 48 hours before the meeting on the night of 5 July.

#### A Report

The fact is that the period of official decisions began, more exactly, after the address delivered by General Rios Erenu, the week before, which achieved the well known repercussions and significance owing to many aspects of its content.



But it is precisely these assertions which have produced not so much of a reaction in the presidential area as in the military area itself, as they were analyzed and expurgated with the greatest perseverance and precision imaginable.

This analysis has been made on the echelons which technically include subordinate officers and intermediate commanders (from second lieutenant to lieutenant colonel), preparing a document which was to be submitted to the chief of staff expressing an opinion on that occasion, demanding greater precision and elucidation on an oddly coincidental point.

The main issue lies in General Rios Erenu's assertion that "the option is between authoritarians and democrats," a concept which, in the pertinent analyses, is found, likewise word for word, in the book "Memoirs of a Militant," written by the guerrilla commander Enrique Gorriaran Merlo, for sale at any Buenos Aires bookstore or stand.

The analysis and the document being prepared (which is to be submitted within the next few days if General Rios Erenu does not manage to prevent its completion and circulation) rejects hypotheses regarding a conceptual connection, much less a personal one, between the military chief and the contents of the aforementioned work; but stresses the odd occurrence of that coincidence, which "would perhaps (in the view of those who may know) demand a greater clearness of concepts when high-ranking authorities speak (sic)."

[13 Jul 85 p 7]

[Text] Last Saturday, the announcer for a private Buenos Aires radio station, making a show of a high degree of naivete in official circles, upon analyzing Raul Alfonsin's speech to the Armed Forces, asked whether General Rios Erenu agreed with those views or not. He did so in a pejorative manner, trying to expose a lack of understanding between the two. Nearly all political commentators have chosen to refrain from analyzing the situation, and have confined themselves now to accepting the official, conformist version, establishing a supposed broad consensus among the forces with the speech, or else, with less commitment, a formal comment on its main paragraphs.

But the fact is that, within the short period of about 10 days, two clearly different and far removed conceptual platforms have been expressed to the public; something like the platforms preceding negotiations: that of Rios Erenu, ostensibly, and that of Raul Alfonsin.

The first thing that would have to be cleared up is whether the spokesmen for these two alternatives or platforms actually have a voice that is sufficiently authorized and supported to make statements. It seems certain that the president is expressing an unobjectionable view, at least from an institutional standpoint. However, does it have the same deep entrenchment in the political apparatus backing him? Similarly, did General Rios Erenu speak with the political conviction that he should have, on this occasion, or rather to prevent the intermediate and subordinate cadres from getting ahead of him?

To put it differently, to what extent have both expressing views, setting forth different and far removed platforms, voiced a broader context of intentions and preferences than that actually surrounding them?

Thus, we would have to recognize in this unique episode that is beginning to develop a consecutive superimposing of strata of opinions and sectors involved: a. the president and his position, learned from his speech; b. General Rios Erenu, and the determination and demands contributed in his previous address; c. the forces' intermediate and subordinate cadres, who may have prompted Rios Erenu's intervention, but in their case based on strong convictions.

#### The Issues Being Debated

Whether a public debate be involved or the beginning of in depth negotiations (is it the beginning or only a hint indicating other negotiations that are under way in greater depth?), the fact is that what still remains unresolved consists of the three basic points in the military demands recently: a. the military operating budget; b. the wage issue which seems to be brought up with serious, acute signs; c. the trial of the military juntas, its political implications and, despite the apparent oral, formal, presidential reevaluation, the implicit condemnation of the forces themselves that has been showing up.

Alfonsin has made some formal gestures, but "he has not backed these words with deeds," is the prevailing view on any military level in which a poll is taken.

Therefore, the prevailing impression appears to be that the president "has made gestures and assumed public attitudes, but has not backed them with concrete deeds." This description closely approaches the notion that it is suspected that Dr Alfonsin is using a "public relations" technique instead of a platform with concrete political objectives.

These gestures and attitudes may have been concentrated in the holding of the military parade on 9 July, the 5 July speech at the comradeship dinner and incidents such as the resubmission of Colonel D'Alessandri's petitions to Congress for approval. Nevertheless, these gestures are attributed to him only in the nature of formal concessions, which do not entail any real change in the essential policies pursued to date.

General Rios Erenu's address, if it was forced by the need to avoid being outstripped by the subordinate or intermediate cadres, may have had an also formal response in the 5 July speech. But do these two platforms of viewpoints afford a real openness to negotiation?

#### What to Negotiate?

It appears to be a substantial and certain fact that negotiations are necessary (Radicals dixit and military sources in agreement), if it is being attempted to prevent the waters from overflowing. Isn't this perhaps negotiating on some level?

Issues such as the trial of the juntas (in a more extensive manner, the policy aimed at reviewing or reassessing the battle against subversion at the very time that the so-called "Plaza de Mayo mothers" are engaging in things as far removed from their publicly enunciated purpose as solidarity with the groups occupying an automotive factory) seem central to any negotiations.

The haste attached to that process during the justice department's winter break may indicate the need for the government to put a "final end" to a matter which by now seems to be yielding, as was intended, from the outset, fewer publicizing effects than trying to get blood out of a stone. And the essential problem is starting to be "what kind of evidence against the military commanders could have been accumulated?" Three alternatives stem from this (aren't they a result of a reconsideration of potential negotiations?):

1. That the Chamber, finding no connection between a crime (already proven) and the accused (not proven thus far, after 750 testimonies), should perhaps confine itself to a lesser penalty, such as the one for "non-fulfillment of the duties of a public official";

2. That, despite the fact that there is no crime-accused connection, and in the opposite direction of the legality of the penalty, the Chamber should nevertheless convict the military commanders in chief, but the court should be obliged, as a consequence, to review that verdict because of its lack of legal legitimacy;

3. That, nevertheless, the court (as a final alternative) should ratify a non-legal verdict based on different principles (which is unimaginable), in which case the "amnesty law" would go into effect almost simultaneously with the formal fulfillment of a sentence imposed contrary to the law.

Three possibilities which are perhaps receiving a careful review for the time when the "public relations" may not suffice to supplant a realistic military policy....

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CSO: 3348/855

ARGENTINA

IA-63'S PERFORMANCE RATED 'SUPERIOR'

PY091616 Buenos Aires TELAM in Spanish 0258 GMT 9 Aug 85

[Text] Cordoba, 7 Aug (TELAM)--The chiefs and officers of the Cordoba War Materials Plant [Area Material Cordoba--AMC] together with different media reporters, this afternoon attended the test flight of the second Pampa IA-63 airplane at the Military Aviation School.

During the 45-minute test flight at the AMC experimental flight center the pilots tested the different elements and capabilities of the plane which was built at this plant.

When asked about the results of the test flight, Brigadier General Edgardo Stahl, chief of the Cordoba Air Base, called them positive, adding that the experts from the Le Bourget 36th International Space and Aeronautics Exhibition labeled the IA-63 an advanced technology airplane.

He said that these experts had rated it, among the advanced training planes, as a superior performance aircraft, an opinion that is shared by the specialized journalism and the potential European clients who particularly liked its advanced design and modern technology.

When asked about the state of the sales contract of the Pucara planes to Iraq, Brig Gen Stahl said that no decision has been made, however, he added, a certain optimism exists regarding the negotiations.

Brig Gen Stahl was accompanied by Colonel Alberto Lindow, the man responsible for the project which will continue with the manufacturing of a third prototype and establish an assembly line, according to Stahl.

CSO: 3348/868

ARGENTINA

ANTARCTIC DIRECTOR COMMENTS ON SCIENTIFIC ACTIVITIES

PY100017 Buenos Aires TELAM in Spanish 0045 GMT 6 Aug 85

[Text] Buenos Aires, 5 Aug (TELAM)--Juan Vicente Sola, director of the National Antarctic Directorate, announced this afternoon that the main objective in the Antarctic is to double scientific activity to fully justify the Argentine presence in that continent.

Sola said the Argentine Antarctic program should be organized in accordance with our country's scientific and technical research needs.

Sola explained the guidelines of the new Argentine policies in the Antarctic and the characteristics of the future 1985-86 campaign during a press conference at the headquarters of the National Antarctic Directorate.

He pointed out that in designing a new political plan for the Antarctic, it should be kept in mind that there are several countries that are pressuring for the internationalization of the Antarctic with the final objective of declaring it the common patrimony of humanity.

He said that because of the international situation, it is necessary to give priority to scientific and technological research with the required infrastructure for optimum results.

He added: We will double the number of scientists working with Carlos Rinaldi, an expert in the field, and we will call on the private sector to promote the design, and production of technology applicable in the Antarctic, especially in the area of construction as an initial step to get this sector involved in the exploration and exploitation of resources.

Sola said the scientific campaign will have the participation of 45 professionals and will be carried out for 2 months with the possibility of extending that period. A study will also be made on reducing personnel at the Marambio and Esperanza Bases which are the largest so that scientific activity can be more intense in the summer.

Regarding tourism, Sola announced that efforts will be made to get state and private enterprises to organize trips to the Antarctic.



Sola also added that another basic objective will be the protection of the environment.

Sola said: Our policy will be extensive, clear, and simply. He added that currenty legislation regarding the Antarctic territory will be enforced, and that joint scientific and tourism plans with Chile will be promoted.

CSO: 3348/868

## ARGENTINA

## BRIEFS

EXPENSE ACCOUNT INCREASE CRITICIZED--(NA-DYN)--Buenos Aires Governor Alejandro Armendariz heatedly criticized on Wednesday night press coverage of a 500 percent increase in the gubernatorial expense account, accusing the journalists of being "indecent and immoral destabilizers," especially in the Buenos Aires provincial capital of La Plata. He explained that the increase from \$56.9 million to 250,000 australs within a budget containing massive cutbacks was for security reasons and also to have an emergency fund for disasters such as the May 31 flash floods. Meanwhile the Buenos Aires Business Federation, headed by Felix Villareal, called on Armendariz to roll back the recent 38 percent increase in the rates of the DEBA provincial power utility. The hike, which was made after all wages, prices and public service charges were frozen as of June 13, has already provoked a general strike in Mar del Plata last Friday, which was 50 percent successful. [Text] [Buenos Aires BUENOS AIRES HERALD in English 9 Aug 85 p 11]

WORLD CHURCH COUNCIL DOCUMENT--The Central Committee of the World Council of Churches (WCC) ended twelve days of deliberations yesterday with a final document warning that "the world faces the possibility of an economic catastrophe which would profoundly affect both poor and rich nations" alike. In the chapter on the "Third World Debt" the document calls for "extended terms" for payment and condemned the "policies inspired in the International Monetary Fund" which are "still imposed on debtor nations." It appeals for a "more just international economic order" and asks the "rich nations to share the political cost of the adjustments which must necessarily be made." In a message to the Argentine Church and people, the WCC praised current efforts "on behalf of justice" and addressed a special letter to Argentine Catholic bishops expressing its confidence that together they could "reaffirm and strengthen ecumenism." [Text] [Buenos Aires BUENOS AIRES HERALD in English 9 Aug 85 p 11]

ARMY, NAVY PROMOTIONS DELAYED--Buenos Aires, 6 Aug (NA)--Separately and in different tones, the Army and the Navy have conveyed to the Senate Defense Committee the concern existing among their commanding officers over the delay in deciding the promotion of three senior officers, reliable sources said. Following the Senate's previous rejection of these promotions, the executive branch insisted on requesting that they be promoted. The officers in question are: Colonel Francisco D' Alessandri, Navy Capt Alberto Pertussio, and Lieutenant Colonel Julio Duran. The sources said there is special concern over the cases of D'Alessandri and Pertussio; who are up for promotion to general and rear admiral, respectively; and who enjoy professional prestige in their forces. The concern was reportedly conveyed by Navy and Army staff officers performing liaison functions before the Senate Defense Committee. [Excerpt] [Buenos Aires NOTICIAS ARGENTINAS in Spanish 2015 GMT 6 Aug 85]

BRAZIL

TRADE SURPLUS TOTAL US\$1.2 BILLION IN JUNE; COMMENT

Surplus of US\$1.2 Billion

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 5 Jul 85 p 24

[Text] Rio de Janeiro--Brazil's trade balance for June totaled \$1.202 billion, reflecting exports of \$2.18 billion and imports of \$978 million. In announcing that result in Rio de Janeiro yesterday, Marcos Viana, director of CACEX [Foreign Trade Department], said it guaranteed that the surplus would total \$11.7 billion by the end of the year as predicted, despite the adverse conditions currently existing in the foreign market.

The surplus for June was the fifth largest ever recorded in Brazilian trade, being exceeded only by the results achieved in May, June, August, and October of 1984. As a result, the accumulated favorable balance at the end of the first 6 months came to \$5,483 million--the difference between exports totaling \$11,619 million and imports totaling \$6,136 million.

According to Marcos Viana, the result for June confirms the May forecast as regards greater certainty that the goal for the year will be achieved. He added: "That certainty is now being corroborated and revitalized and is dispelling the specter raised up by poor performance in the first 2 months of the year, when gloomy prospects for this year's balance were taking shape."

In the opinion of the director of CACEX, the June surplus could have been better except for the sharp drop in commodity prices, which resulted in an expansion of only 0.97 percent in comparison with May and a drop of 12.24 percent in terms of June 1984. As examples of the loss due to price changes, he cited demerara sugar, which brought in earnings of \$89 million in the first half of this year (49.72 percent less than the \$177 million earned in the same period of 1984) and soybean meal, earnings from which dropped by 33.33 percent (from \$744 million to \$496 million). As other factors preventing a better result in the trade balance, he also drew attention to the fact that June had only 19 working days as far as exports were concerned, compared to an average of 22 days for the other months, and to the situation in the engineering industry, which, despite its excellent performance, experienced problems with exports due to strikes.

Marcos Viana therefore analyzed the performance of the trade balance in June as being "weak in terms of commodities because of lower prices, excellent in terms of manufactured goods, and exceptional in the area of goods produced by the engineering industry, and I therefore reaffirm my confidence as regards success in achieving this year's goal even if the adverse conditions continue and no favorable external surprises occur in the world economy."

As examples of favorable external surprises, he mentioned the drop in the price of petroleum, which might reduce even further the burden represented by that product, Brazilian imports of which fell by 29.08 percent in June to a total of \$439 million, compared to \$619 million in the same month of 1984. Total petroleum imports for the first 6 months of this year came to \$2,465 million, or 23.91 percent less than the \$3,476 million recorded during the first 6 months of 1984.

#### Hopes May Be Overoptimistic

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 6 Jul 85 p 22

[Text] The balance of \$1,202 million achieved in foreign trade during June brings tranquillity to the economy, since it permits optimistic projections for the rest of the year. As is known, the second half of the year is more active in terms of business, and the result is that expectations of a balance close to \$12 billion should in fact be fulfilled.

It should be noted that a number of nonmarket factors helped make performance definitely better in the second quarter than it had been in the first. At the start of the year, the authorities were even fearful about the rate of exports, since the market for important products on our export list was weak. In particular, the agricultural sector was facing sharp declines in international prices, a situation that still exists. Last year, for example, above-average earnings from orange juice were possible, but that is less true today. Even coffee showed a decline, as did soybeans, sugar, and cotton. But the balance for the 6 months was sufficient to make up for even those difficulties, and this reveals a more advantageous situation for manufactured products.

There were losses in the manufacturing sector due to work stoppages in the automobile industry. U.S. protectionism continued its resurgence in some areas, offsetting the drop in interest rates that should have benefited our sales abroad. The dollar has long been overvalued in terms of other currencies, and this must have had a harmful effect on some of our imports as well.

The results for these 6 months must also be credited to a number of measures in the area of domestic economic policy, the ultimate effect of which was to help exports. As can be seen, sales abroad picked up momentum very quickly as soon as the government altered its formula for calculating monetary correction. The authorities promoted a devaluation on the quiet that offset the higher cost of financing exports. While inflation hovered at around 7 percent in April, May, and June--thus reducing exporters' acquisition costs thanks to the price freeze--monetary correction remained at levels above 10 percent. The dollar rate began to be changed daily and was also known further in advance.

Because of that, business in the export sector was able to pick up speed at a rate not matched by domestic trade. Domestic demand did not show equally vigorous signs of recovery, especially since most of the major wage adjustments did not start having an effect on the market until last month. The export sector therefore had the field to itself, and it produced the positive balance basically in the second quarter, since the situation in the first quarter had been a disturbing one.

This shows that performance in the second half of the year will also depend on the behavior of monetary correction in terms of inflation. Actually, exporters benefited from an advantage that may not be repeated to the same extent from now on. If inflation speeds up when industrial prices are deregulated, the trade balance will depend on the performance of agricultural products, the foreign market for which is listless. Even if the government subsidizes the sale of stocks, it will be difficult to maintain an encouraging pace outside the country.

The expectations being expressed by some government experts may therefore be overly optimistic, especially since there may be reversals on the foreign market, which is not subject to control by the developing countries. Let us hope that the balance of \$12 billion will be achieved, but it is a fact that several obstacles will have to be overcome before that happens.

11798

CSO: 3342/217



BRAZIL

## CACEX SEES YEAR-END TRADE SURPLUS OF \$12 BILLION

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Jul 85 p 27

[Text] The director of the Foreign Trade Department of the Bank of Brazil (CACEX), Marcos Pereira Vianna, confirmed yesterday, in a speech to members of the Permanent Technical Commission on Foreign Trade of the Sao Paulo Commercial Association, that the 1985 trade surplus will be \$12 billion, which is \$300 million more than CACEX had predicted previously.

"I have the impression that we are beginning to see better days," said Vianna, recalling that the first half of this year, due to "a combination of adverse internal and external factors, had a devastating impact, resulting in loss of momentum and drive in our exports."

The factor that leads the CACEX director to have a "slightly more optimistic" view of the performance of Brazilian exports in the coming months is the prospect of "moderate" growth in the economies of the West. "There are signs that at the next meeting of the petroleum exporting countries another reduction in the price of oil will be instituted, and this is another symptom of recovery on the part of importing nations, which leads me to believe that the worst is over for us," said Vianna.

### Tax-credit Bonus

The CACEX director acknowledged that elimination of the tax-credit bonus for exports, brought about by "international pressure," prevents, for the time being, prospects from being better, inasmuch as "the tax-credit bonus was simply a compensation for the indirect taxes that burden our manufactures, and its elimination reduced our competitiveness."

But he held out for the exporters the possibility of eliminating this problem, "attacking the disease at its roots." "We have submitted studies about the possibility of exporters being exempt from or compensated for such taxes, so that their products can compete on an equal footing in the international market," Vianna reported, although cautioning that exporters must not nurse "lyrical and utopian optimism in this respect."

"Before being transformed into law, these studies must go through the difficult political phase," said Vianna, mentioning that if there is a winning sector there are bound to be losing sectors. As an example of this, Vianna said that exemption

from the Single Tax on Electrical Energy (IUEE) would certainly lead to "justified" reaction by the electrical sector, which is already very short of funds due to the recent cuts it has undergone.

#### More Imports

Marcos Pereira Vianna also addressed the question of imports, which, in his view, reached "the absolute minimum level" in 1985. In his opinion, "Brazil must import more, in order to have an efficient economy." Vianna also told the exporters that the ideal level would be for us to achieve this surplus of \$12 billion by exporting \$40 billion and importing \$28 billion. "This is, in my view, the most important question that we must resolve. Today we are achieving financial surpluses at the cost of great sacrifice. But the primary function of foreign trade is to accelerate development, with improvements in quality and efficiency that we will be able to reach only when we are able to import more," Vianna concluded.

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BRAZIL

TRADE RELATIONS, S&T ACCORD WITH JAPANESE DISCUSSED

Brazil-Japan Trade

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 Jul 85 p 20

[Text] Trade relations between Brazil and Japan have gone through some important changes in recent years. Essentially, our exports grew and became diversified, which is an important factor for a country that must increasingly diversify its markets. Meanwhile, Brazil's imports decreased, due partly to the recession and partly to import substitution.

A study made by the Japan External Trade Organization (JETRO) shows that the share of Brazilian goods in that market grew from 1.2 percent in 1982 to 1.5 percent in 1984, in relation to total Japanese imports. More than the growth, it is important to note the diversification of Brazil's exports. In 1982, for example, 62 percent of sales were represented by iron ore, but in 1984 this share declined to 46 percent. Meanwhile, industrialized products grew from 20 percent to 35 percent in the same period, featuring chemical products and iron and steel. Even so, food products and coffee constitute significant items on the list, which should not obscure the progress of industrialized sales, which rose from \$326 million to \$706 million during the 1982-84 period. It should be noted that the results achieved reflect the policy of incentives to exports and especially to diversification. The study finds that about 260 new items became a part of Brazilian exports in the last 2 years.

The situation regarding Brazilian imports is quite different, if only because the economic recession has led to serious restrictions, for both the public and private sectors. This deceleration, however, was accompanied by an internal process of import substitution, which also explains some of the diversification of Brazilian exports. According to JETRO, Brazil reduced its imports of primary iron-and-steel products, operating machinery and precision measuring equipment, but increased imports of inorganic chemicals, integrated circuits and auto parts.

Everything indicates that the prospects for growing Brazil-Japan trade are encouraging. It should be noted that a certain recovery of the Brazilian economy and a greater opening of the Japanese market itself both contribute to this. The JETRO study points out that, in comparing 1983 and 1984, leading Brazilian exports include chicken, iron and steel products (plate), organic chemicals (ethylene and toluene) and alcohol (for consumption purposes). If the economy resumes its former

pace, Brazil would be able to again increase its imports. Trade between the two countries could thus again reach the high point of 1981, when it was \$2.9 billion.

For Brazil, greater interchange with Japan is considered essential, as a large part of its exports are concentrated in the U.S. market. Japan is now the second biggest market for Brazilian goods, but far behind the United States, which accounts for 27.6 percent of sales, compared with Japan's 5.8 percent, the figures for the January-through-October period of last year. In relation to imports, this concentration is not the same simply because of petroleum, which has the effect of making the Middle East Brazil's leading supplier.

#### Science, Technology Agreement

Rio de Janeiro O GLOBO in Portuguese 23 Jun 85 p 37

[Article by Silvia Anyoji, correspondent]

[Text] Tokyo--The Agreement for Scientific and Technological Cooperation between Brazil and Japan became effective yesterday when Science and Technology Minister Renato Archer, accompanied by Ambassador Lindemberg Sette, delivered the Brazilian note to Foreign Affairs Minister Shintaro Abe, concluding the necessary formalities.

Before ratification of the agreement, some arrangements were already in effect between the CNPq [National Council for Scientific and Technological Development] and Japanese scientific and technological organizations, leading to symposia (four were held in a period of 2 years) on topics such as research on niobium-base superconductors, fermentation in the production of ethyl alcohol, biological research and surveys of carbonate deposits. But this agreement opens new perspectives for implementation of new projects, indicating the possibility of closer and broader Japan-Brazil relations. Arrangements are being made for the agreement on space research and for the symposium in Tokyo next year covering a vast field, such as space, irradiation, limnology, microelectronics and biotechnology.

Minister Archer said that Brazil and Japan would be ideal partners at this stage of international scientific and technological development. "Brazil represents a large space, which Japan lacks, for development of certain activities such as agriculture and Japan, in exchange, can provide us with important collaboration. Its technological development makes it possible for countries such as Brazil to compete on an equal footing in the technological development of certain sectors of great importance."

Minister Archer mentions that this new attempt to consolidate understandings in the area of science and technology will give priority to the sectors of informatics (microelectronics), biotechnology, food and health.

BRAZIL

# DORNELLES DEEMS SEPLAN ECONOMIC PACKAGE INADEQUATE

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Jul 85 p 46

[Text] The Ministry of Finance regards as inadequate the economic package--announced on Thursday--which will reduce the public deficit by only 39.0 trillion cruzeiros while acknowledging that the method of financing the remaining 69.8 trillion cruzeiros will represent an additional burden for the economy's private sector.

Besides predicting that high interest rates will continue, the Ministry of Finance is beginning to abandon its estimate of a 182.3-percent inflation rate for this year. To keep inflation below 200 percent--somehow--the ministry will resist any attempt by the IMF to allow state-owned firms to recover the losses incurred as a result of the price freeze that was imposed on them as soon as the current administration took office.

Summing up the dominant thinking in the Ministry of Finance, ranking advisers to Minister Francisco Dornelles say that the economic package proposed by SEPLAN [Planning Secretariat] and approved by the Office of the President of the Republic shows obvious imbalance, since it places a further burden on the private sector by imposing an additional 17 trillion cruzeiros in taxes while cutting the public sector's spending by only 15 trillion cruzeiros. The Ministry of Finance feels that to make an effective structural adjustment in the public sector possible, a satisfactory cutback would have to come close to 24 trillion cruzeiros.

The method of financing the rest of the public deficit is causing fears in the Ministry of Finance. Not exactly because of the issue of paper currency, which will rise from 23 trillion cruzeiros to 27 trillion cruzeiros and increase monetary expansion from 150 percent to 180 percent. But because the net sale of government securities--at 28 trillion cruzeiros--will keep interest rates extremely high.

According to the original estimates by experts at the Ministry of Finance, the additional mobilization of funds on the financial market through the sale of securities was to have totaled only 10 trillion cruzeiros this year, and that would not be enough to put further pressure on interest rates. It is obvious that an additional 18 trillion cruzeiros will not call for the same drop of 3 trillion cruzeiros in the Bank of Brazil's financing. And the Ministry of



Finance will still have to secure 12 trillion cruzeiros by delaying the release of budget funds or delaying payments to the private sector itself.

#### IMF Insistent

Even though the package has been announced--some experts are ironically calling it the "little parcel"--the secretary general of the Ministry of Finance, Sebastiao Vital, who is coordinating Brazil's negotiations with the IMF, may still go to the United States this week. His purpose will be to explain, item by item, the measures consistent with 5-percent growth this year that have been decided on by the Brazilian Government. His trip reportedly will not conflict with the decision by the president of the republic not to resume negotiations with the IMF until the latter states its position on the economic package.

Actually, the Brazilian Government's concern is to explain to the IMF that prices charged by state-owned firms cannot be revised because the result would be an "explosion" of the inflationary process. The IMF is insisting on a price adjustment to reflect reality. That would mean an increase of 30 percent in the price of gasoline alone, excluding the nominal increase and the exchange fluctuation. There are no major problems as far as raising electricity rates is concerned, but in the case of gasoline and steel, for example, the pressure on the IGP (General Price Index) would be unbearable.

Like the IMF, SEPLAN supports an increase in prices charged by the state-owned firms, claiming that the freeze has caused those firms to lose 21 trillion cruzeiros. The Ministry of Finance may agree to go halfway and allow revenue increases of 3 trillion cruzeiros while rejecting SEPLAN's attempt to allow revenues to increase by 6.5 trillion.

For the time being, the Ministry of Finance's position is that beginning this month, prices charged by state-owned firms are to keep pace with inflation. And in the private sector, price controls will be removed gradually until they apply only to basic goods, raw materials, and oligopolies.

11798

CSO: 3342/218

BRAZIL

## SNI HEAD TO ACQUAINT CONGRESSMEN WITH SERVICE ACTIVITIES

Rio de Janeiro O GLOBO in Portuguese 7 Jul 85 p 7

[Text] Brasilia--The SNI [National Intelligence Service] accepts the idea of providing explanations to a citizen who feels he has been harmed by the information gathered concerning him by the SNI and kept in its files. That is the attitude of Gen Ivan de Souza Mendes, minister-chief of the SNI, concerning the controversial question of a citizen's access to the SNI's files.

In private talks, the general expresses the opinion that the public must not have access to the SNI's files because those records are the exclusive property of the Office of the President of the Republic. To back up his argument, he cites the example of bank records, which are not open to everyone. He feels, however, that if the president of the republic authorizes it, the SNI must provide explanations to individuals who consider themselves harmed by the information gathered concerning them.

The minister claims that nothing has changed at the SNI since the new administration took office. He rejects rumors that the agency is seeking a new image to offset the damage done to its reputation in the eyes of public opinion in recent years. He points out that Gen Octavio Medeiros, his predecessor, was himself in the process of making changes at the SNI that included the replacement of officials.

He says that while he cannot speak for Medeiros, he believes that the former minister was also concerned about the lax behavior of officials. Souza Mendes recently fired two agents who had violated secret rules of ethics. His attitude on this subject is that in matters of ethics, no one must be given the chance to make a mistake twice.

General Mendes claims that telephone tapping has stopped since the end of the last administration, but he again rejects the idea that the SNI has changed under the current administration. He points out, however, that he favors wire-tapping in cases allowed by law--examples being the investigation of crimes involving drugs, kidnappings, and smuggling. But never for political purposes.

The minister agrees that the agency's activities should be overseen by Congress to prevent the possible abuse of power, but only if that control is restricted, since the SNI, by its very nature, engages in secret activities that must remain

privileged information. As an example, he cites documents prepared for the president of the republic which are of a confidential nature but which would leak out if Congress had access to them.

Souza Mendes points out that the SNI conducts investigations to provide the president with information on certain subjects, but he flatly rules out any investigation of candidates in election campaigns. This week, for example, the agency informed President Jose Sarney that the situation in what are considered the priority areas for agrarian reform is calm following a period of tension after the government plan was announced.

Those investigations are routinely carried out so that Sarney can make an assessment of various problems on the basis of abundant information. But the agency does not intend to conduct investigations to determine electoral trends or the chances of candidates.

While the SNI may not have changed, the intelligence sections in the ministries have other duties under the New Republic. The so-called DSI's (Security and Intelligence Divisions) no longer operate with the objective of collecting data on the activities of each ministry. They now prepare reports on problems in their respective areas. This means that Nelson Ribeiro, minister of agrarian reform and development, to take one example, can ask the DSI to investigate a land conflict so that he can better assess the situation. But the DSI's will no longer devote themselves to espionage or the denunciation of officials.

#### Public Access to SNI's Secrets

Brasilia--The National Intelligence School [ESNI], one of the SNI's most closely guarded secrets, may come before the public eye. Minister Ivan de Souza Mendes intends to invite representatives of the press and Congress to become acquainted with the work and facilities of the school, which is located in the Police Sector of the Pilot Plan in Brasilia.

That information was provided by an official source at the SNI, who claims that the school makes an important effort in various fields of activity.

It was there, for example, that the first system of Brazilian military computers was created. Those computers were subsequently industrialized by PROLOGO, a subsidiary of IMBEL [Ordnance Industry]. Another effort by the school in the data processing field was the designing of domestic ciphering and decoding machines that also use digital technology.

But the ESNI does not restrict its efforts to those fields of activity, and its available curriculum includes various levels of theoretical training for "information analysts," with courses in a foreign language, the analysis of economic, human, and political geography, politics, analysis of the history of political and economic thought, and other subjects.

"The ESNI is not a Hydra-headed monster," says the source providing this information, "and we feel that public opinion must become fully acquainted with the work we are doing there. That, incidentally, is what is expected of an

intelligence agency in a democratic system. There must be openness so that society can understand and intervene in what is done in that area."

That openness, "said to be desired by Gen Ivan de Souza Mendes," must be sought through the press and the legislative branch, according to a source at the SNI:

"The press is a valid mechanism for keeping watch on an intelligence agency, and in fact, it is the press that most closely reflects the concerns of public opinion. For its part, Congress is able to penetrate more firmly into the actions of an organization such as the SNI and can interfere when necessary. We want supervision by the legislative branch, because we know that we do not always act judiciously, nor are we always right."

But the same intelligence source claims that that thinking does not represent a change at the SNI, "which has made practically no staff changes since 1983," as far as its working philosophy is concerned.

"To cite one example, General Ivan intends to continue the practice of reserving the top spot at the SNI Central Agency exclusively for general officers on active duty. Gen Geraldo Braga is due to enter the reserve before the end of the year, and he will be replaced by an officer of equivalent rank who may come from any of the three branches of the Armed Forces. The minister feels that the second-most important job in the 'service' must remain under the command of an officer on active duty."

11798

CSO: 3342/217

BRAZIL

# GOVERNORS' FRUSTRATION IN MEETING WITH SARNEY DESCRIBED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Jul 85 p 7

[Article by Carlos Chagas]

[Text] Governors that may have imagined that they were coming to Brasilia yesterday to take part in decisions regarding payment of the foreign debt or in determination of the economico-financial measures that President Jose Sarney will announce to the nation Monday were frustrated. Determinations and decisions in regard to such topics had already been taken, they were informed by the ministers of finance and of planning. There wasn't even any big news. The federal government limited itself to telling its 27 guests that it will try to restructure the foreign debt, negotiating with our creditors for longer payment periods and reduction of financing costs, as well as basing the adjustment advocated by the International Monetary Fund on our economic and social circumstances. It was also emphasized that the fundamental commitment of the New Republic is to economic growth, with the fight against inflation being one of its components, not an isolated priority.

The rest of the speeches, those by [Finance Minister] Francisco Dornelles and by [Planning Minister] Joao Sayad, as well as that by Jose Sarney, were restricted to orations about the obvious--well done, but with nothing new. It had the appearance of a kind of panel lecture: what was done, what is being done and what will be done in the economico-financial sector--something published every day in the newspapers.

This was on the part of the federal government, but on the part of the governors the trend of discussion was different. They lost no time in showing what they may have accomplished or intended to accomplish. They cried. They related their difficulties, they listed their hardships, they complained and they demonstrated that--as it could not otherwise be--things are going worse for them than for the national administration. They came with tincup in hand, fortunately at a time when it has not yet become dangerous to bring a tincup to Brasilia.

Franco Montoro complained about centralized administration; Jose Richa, about the undue haste in agrarian reform; the Northeasterners wanted priority for their region. None of those present failed to ask for tax reform and a better income distribution. Leonel Brizola yielded to the temptation of asking for direct presidential elections immediately, although stressing that he was doing so "respectfully."



Which is not to say that the meeting, which lasted from morning until night at Alvorada Palace, was innocuous or served only to break the ice. It should be obvious that overall--even politically--the result was positive. Administration leaders met with the governors; they smoothed over some rough spots, they got to know each other better. They concluded that the success of each of them depends upon the success of all of them and on that of the federal administration. The host and the guests were mutually supportive. The latter more than the former, in fact, despite impressions and appearances to the contrary previous to yesterday.

The words of President Jose Sarney were sensible, precise and courageous in respect to the need to strengthen the federation and the importance of entering into a political and social pact to cope with the crisis and the transition between now and the meeting of the National Constituent Assembly. Mention should be made of the reaffirmations--without pulling rabbits out a hat--of submitting solutions for the economic problems, including the foreign debt, that the president will stress in his broadcast speech, within 4 days.

The problem is that it is a an old story, a video-tape of a situation that has been verified for many years. The federal government said what it could do, the state governors spoke of what they would like to have.

The luncheon menu consisted of fish, chicken and meat; in other words, just as in the main speeches and the individual talks, there was something for various tastes. They all left as they had come, in that once again they were made aware of the difficulties and the inappropriateness of hoping for more, beyond the possible. The time of miracles has passed.

In sum, a meeting the same as the others, more liturgical than theological if anyone had imagined that in this meeting the governors would be called upon to decide the future course of economic and financial policy or the fate of the Sarney administration. They heard the obvious, it is worth repeating, each one remaining where he had been, from the president to the visitors: worried, full of problems, doubts and uncertainties, but, on the reverse of the coin, with hopes invigorated. They moved in the direction of the pact, although the pact, it is becoming increasingly clear, resembles an agreement among shipwrecked sailors after the ship has sunk. They have to stick together in the midst of rough seas, even hold hands in order to float better, hoping for the salvation possible only through the effort, the capacity for resistance and the patience of each one.

The president appeared to be quite cautious, leaving economico-financial questions to be dealt with by his two ministers of that area. The latter, in turn, showed even more caution, trying to give the impression of a nonexistent unit. But did Dornelles not say that the priority is economic growth and Sayad, that the cuts in public expenditures must be deeper?

When they return to their state capitals today, the governors will be carrying in their baggage a few more kilograms of humility. They will have realized that to support the president and the government of the New Republic, even for those who do not belong to the Democratic Alliance, represents a necessity, not an option. A mandatory path, never a detour.

BRAZIL

GUSMAO OUTLINES INDUSTRIAL STRATEGY IN WAR COLLEGE SPEECH

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 5 Jun 85 p 24

[Text] In a speech delivered at the War College in Rio de Janeiro yesterday, Minister of Industry and Commerce Roberto Gusmao announced the guidelines for the Sarney administration's new industrialization strategy, which "must lay the foundation for the shaping of a new pattern of industrial development." The document in question says it is essential that the characteristics of the existing industrial plant be preserved and that there be a clear definition of the areas open to Brazilian private enterprise, foreign investors, and state enterprise. It says that "those three components of investment must be coordinated, to the extent possible and by every means, through a program based solely on the national interest."

After emphasizing that the guidelines being presented reflect the basic points in the Democratic Alliance's Covenant Charter, the minister upheld the need to implement an industrial policy oriented toward investment by private enterprise, coordination of the government's actions with regard to its productive activities and the handling of policy-setting and assistance mechanisms, and the selection of effective instruments and of resources to be mobilized in a manner consistent with the funds available.

Gusmao admitted that to achieve all those objectives, it would be necessary to reorganize the entire government apparatus concerned with the industrial sector and that the reorganization would mean "a transformation that must affect structures and mentalities." For that purpose, the Ministry of Industry and Commerce is calling for "nationwide coordination of the execution of the New Republic's industrial policy which will result from all this participatory effort and which must truly constitute a secure foundation for those who, like us, are continuing to put their faith in Brazil."

In his speech, the minister of industry and commerce pointed out that the most important feature of Brazilian industrialization is the fact that a group of national businessmen with sufficient financial, technological, and managerial capability "to lead this new stage of national development" has arisen in the country.

Concerning the state's role, Gusmao said that it had been crucial in the past, but he emphasized the more recent evidence of distortions that need to be

corrected. Among them, he drew attention to the lack of a coherent industrial policy, the exclusive subordination of instruments of industrial policy to a policy of recession, the effects of the public deficit and of domestic debt on the availability of funds for the private sector as well as their role in increasing domestic interest rates, the excesses of paternalism in the granting of subsidies, and the inappropriate nationalization of a few nonstrategic activities.

### Priorities

In his speech to the students at the War College, Minister Roberto Gusmao recalled the decline in industrial investment over the past few years and its consequence: the slower rate at which technical advances are being absorbed. He also said that the recent growth, which began last year and is based on increased exports, did not signify a return to the previous levels: "it does not even constitute a sustained resumption of growth."

Because of that situation, Gusmao feels it is necessary to narrow the technological gap between developed countries and the others. He recalled that industrial growth today depends necessarily on the absorption of technology, either in high-tech industries or through the modernization of traditional industries.

To achieve those objectives, the industrial strategy presented by the minister yesterday lists the following as priorities: the modernization of industry in general, utilization of the existing idle capacity in various industrial sectors, and investment to expand the production capacity of sectors close to full capacity (examples being paper and cellulose, special steels, iron ore, auto parts, and so on). Also regarded as priorities under the new industrial guidelines are investments to expand production capacity in the areas of petroleum, natural gas, and alcohol and investments in projects to conserve energy; investments to produce inputs and equipment for agriculture, especially to meet the needs of small and medium-sized agricultural enterprises; implementation of production activities in the fields of data processing, microelectronics, and fine chemicals through the development of national technological capability; and productive and technological investments in activities for which the country possesses comparative advantages in terms of natural resources or energy sources.

### Definition

In addition to the restructuring and strengthening of the Industrial Development Council and broad participation by society, Minister Roberto Gusmao considers it essential, in order to make the strategy operational, that there be a clear definition of the roles reserved for private enterprise and the state in the productive structure.

"We must strive for a state which does not disrupt things and which, if it must occupy a particular area, does so competently," said the minister, adding that "the main role in our industrial development will be assigned to domestic

private enterprise, and the multinational firms will have to become partners in this effort by providing new technologies and expanding foreign markets."

Minister Roberto Gusmao also considers it necessary that there be substantial changes in relations between capital and labor. He acknowledged that within the Ministry of Industry and Commerce, there is developing "the idea of proposing significant changes to the labor union structure, in which the union tax currently constitutes the basic form of paternalism and the umbilical cord marking its dependence on the state." The minister said that in the future, trade unionism "will have to be autonomous and free, and it cannot remain dependent on the state."

In his speech to the students at the War College, the minister of industry and commerce also supported debate and a clear statement concerning a national pact on the terms intended and announced by President Jose Sarney. "That national pact, the guarantor of civilian government and of the gains achieved by the new Brazilian democracy, will serve as the guide for the other political, social, and economic pacts that will have to be particularized and made explicit by society," said the minister. He expressed certainty that in the industrial area, union and business leaders as well as the government would join the debate in an effort to produce their specific pact.

11798

CSO: 3342/218

26 August 1985

## BRAZIL

## CONSUMPTION OF PETROLEUM DERIVATIVES DOWN 3.6 PERCENT

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Jul 85 p 28

[Text] Rio de Janeiro--Nationwide consumption of petroleum derivatives was 882,000 barrels a day in the first half of this year, which is 3.6 percent less than during the same period last year. Consumption in June was virtually unchanged, increasing only 1 percent over the same month of 1984.

With the exception of LPG [Liquefied Petroleum Gas], consumption of the major derivatives fell during the 6-month period, compared with the same period 1 year ago. Demand for gasoline, at a daily average of 121,000 barrels during the period, fell 12.4 percent. Consumption of this product also declined during June, at a rate of 11.7 percent.

With a daily average of 304,000 barrels during the 6-month period, consumption of diesel fuel dropped slightly, 0.8 percent, in relation to the first half of last year. In June, however, consumption of diesel fuel increased 5.6 percent in comparison with the same month of 1984.

But demand for fuel oil in June (152,000 barrels a day) was 14.2 percent less than in June of last year, while in the 6-month period the decline was 6.3 percent. Consumption of LPG increased during the month as well as in the 6 months: 8.2 percent and 5.6 percent, respectively.

The nonfuel derivatives with the greatest consumption were naphtha and feedstock for petrochemicals. In the month of June, demand for these raw materials rose 24 percent over the same month of the previous year, while in the 6-month period a 4 percent decline was reported.

Consumption of motor-fuel alcohol was 23,213 barrels [as published; 23.21 million?] in the January-through-June period, of which 16,774 barrels [as published] were anhydrous alcohol (an increase of 3.2 percent over the first 6 months of 1984) and 6,439 barrels [as published] were hydrous alcohol (an increase of 29.2 percent). In June, consumption of alcohol was 3,872 [as published] barrels, of which 2,827 barrels were hydrous (increase of 20.6 percent over June of last year) and 1,045 barrels were anhydrous (a decline of 5 percent from June 1984).



BRAZIL

BRIEFS

NO SPACE PROGRAM CUTS--"The Brazilian Space Program, with a budget of \$700 million, will not be delayed despite the economic-financial crisis being experienced by the country," according to a statement in Sao Jose dos Campos yesterday by Adm Jose Maria do Amaral Oliveira, minister-chief of the Armed Forces General Staff (EMFA) and chairman of the Brazilian Commission for Space Activities (COBAE). The program calls for launching four satellites--two remote-sensing satellites and two weather satellites--by the end of this decade. The technology will be about 95 percent Brazilian. The minister announced that 30 percent of the necessary investments had already been made, and he asserted that the current administration "regards the development of strictly domestic technology as a priority--because of that, there will be no lack of funds." Marco Antonio Raupp, director-general of the INPE (National Institute of Space Research), confirmed that the necessary investments for developing the satellites "have been adequate." He said that of the 900 billion cruzeiros recently transferred to the Ministry of Science and Technology by the Federal Government, about 119 billion were earmarked for the INPE, "with the satellite project being the priority." The minister-chief of the EMFA explained that of the \$700 million budgeted for the Brazilian Space Program, \$250 million will be channeled to the INPE, an agency of the CNPq [National Council for Scientific and Technological Development], which will be responsible for developing the four satellites. The rest will go to the CTA (Aerospace Technology Center), an agency of the Ministry of Air, which is developing the Satellite Launch Vehicle (VLS) and building the rocket launching base in Alcantara, Maranhao. The base, which will cover 520 million square meters, is to be ready by 1988. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 9 Jul 85 p 10] 11798

ENGESA MATERIEL TO IRAQ--Santos, Sao Paulo--The freighter "IBN Battotah" left the port of Santos yesterday afternoon bound for Iraq and carrying 1,293 tons of war materiel being exported by ENGESA (Specialized Engineers, Inc.) and AVIBRAS (Aerospace Industry, Inc.). As usual, the shipment was surrounded with much secrecy. The semitrailers bringing the 74 containers of ammunition and military equipment to the port were escorted by army jeeps, and during the loading operation, representatives of ENGESA and AGENAVE (Shipping Agency) declined to give any information to the press. The waybills filed with CODESP (State of Sao Paulo Dock Company) showed only that 36 containers of "special cargo" were from AVIBRAS and that the remaining 38 were from ENGESA and contained "explosives and equipment for military use." Exports of war materiel, especially to the Middle East, have been a constant activity in the port of Santos. [Text] [Rio de Janeiro O GLOBO in Portuguese 5 Jul 85 p 22] 11798

MILITARY EQUIPMENT SALES--Sao Paulo Sandals is concluding a series of contracts to export army uniforms and military equipment to countries in Latin America and the Middle East, according to an announcement yesterday by the director of the Spass Trading Company, Frey Johnson. The trading company, which belongs to the Sandals Group, is negotiating with the governments of Iraq, Iran, Peru, and Saudi Arabia for the sale of all kinds of military equipment other than armament. In addition to uniforms, the export package includes boots, knapsacks, helmets, and field belts, among other things. Frey Johnson said that most of the equipment will be produced by Sandals itself--a manufacturer of canvas, which is the raw material used to manufacture uniforms and tents. He announced that the first export programs would be in their final form by the end of this year and that in the medium term, they would generate a great deal of foreign exchange for the country. The Spass Trading Company's exports will total \$62 million this year, compared to \$57 million in 1984. [Text] [Rio de Janeiro O GLOBO in Portuguese 5 Jul 85 p 15] 11798

ENGESA EXPORTS TO KUWAIT--Juiz da Fora--Eleven containers carrying 1,500 shells and 198 tons of arms and enough ammunition for 45,000 rounds are on their way to the port of Santos, from where they will depart this weekend for Kuwait. They are part of the Brazilian program of arms exports to that country. The shells and ammunition were produced by the ENGESA Chemical plant in Juiz da Fora and are 30 days behind schedule due to the strike by Sao Paulo workers, which left the firm without metallurgical components. The shipment was inspected personally by the firm's manager, Col Antonio Eduardo Falcao, who is going to leave ENGESA's management to become chairman of IMBEL [Ordnance Industry] in Sao Paulo at the invitation of Minister of Army Gen Leonidas Pires Goncalves. [Text] [Brasilia CORREIO BRAZILIENSE in Portuguese 26 Jun 85 p 12] 11798

CUT ON FUTURE STRIKES--"It is possible that the metalworkers led by the unions making up the independent group--which follows the lead of CUT [Sole Central Organization of Workers]--will resume the strike they began in the first half of this year if the employers do not give in to the demand for quarterly wage increases." That prediction was made by the group's coordinator, Vicente Paulo da Silva, director of the Sao Bernardo Metalworkers Union, when he announced that a meeting by the "independents" would be held at 1400 hours today at CUT's regional headquarters in Sao Paulo. The meeting is being held to discuss the final text of the agreement with SINDIPECAS, which must be signed before Monday, the day on which representatives of the workers and employers are to resume their discussions on quarterly wage increases. Vicente said: "Quarterly wage increases are one of the group's gains, and we cannot give them up." If the parties reach agreement, quarterly wage increases are to be applied to wages effective 1 July. The "independents" also intend to hold a seminar from the 25th to the 28th of this month to discuss this year's wage drive and determine whether it will be possible for the group's unions--in Sao Bernardo, Santo Andre, Campinas, Sorocaba, Itu, Taubate, and Sao Jose dos Campos, as well as the opposing unions in Sao Caetano and Limeira--to engage in other joint actions besides their wage drive. The leaders of the Sao Bernardo Metalworkers Union will be back at the gates of the assembly plants within the next few days to tell the workers that unlike the FIESP [Sao Paulo State Federation of Industries] and SINDIPECAS, those firms do not intend to negotiate concerning quarterly wage increases. The leadership met behind closed doors last night to examine "ways of mobilizing the workers." [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 4 Jul 85 p 26] 11798

CHILE

### 3-YEAR ECONOMIC PROGRAM BASED ON JOBS, EXPORTS, SAVINGS

Santiago EL MERCURIO in Spanish 27 Jun 85 pp A-1, A-10

[Text] The minister of economy, Modesto Collados, yesterday presented the "3-Year Plan for 1985-87" to President Pinochet and the full cabinet. It was pointed out that its aim is to generate about 500,000 productive jobs which would reduce unemployment to a rate of 10 percent or less by the end of the 3-year period.

The same document estimates the rate of growth of the Gross Geographic Product in 1986 and 1987 at 5 percent compared to 2 percent to 4 percent planned for this year, 1985.

Along with this action to combat unemployment, the 3-year plan also aims at the sustained growth of export activities through the refinement of incentive tools like a realistic exchange policy and the repayment of tariffs.

It also indicates the need for increased savings as a basic element for national growth.

Francisco Javier Cuadra, minister secretary general of government, gave the press a report on this 3-year plan presented to the president and the ministers. Cuadra explained that the basic objective of the 3-year plan for 1985-87 is the coordination of the private and state efforts and initiatives. It covers a sectorial dimension of the economy and also a regionalized view.

He said that the national economy expanded in 1984 at a rate of 6.3 percent. It is estimated that the Gross Geographic Product will grow between 2 to 4 percent in 1985. He added that the estimated figure for 1986 and 1987 is 5 percent.

He indicated that each sector has its own rate of growth for the period 1985-87: forestry, agriculture and livestock, 6.6 percent; fishing 1.3 percent; industry, 6.2 percent; construction, 13.9 percent; transportation, 5.9 percent; mining, 2.6 percent; electricity, water and gas, 5.6 percent; trade 3.7 percent; and the rest of the sectors, an average of 2.1 percent.

Cuadra said: "The three basic jobs of the program are employment, exports and savings." He indicated that the government is trying not only to mobilize its

human, material, financial and technological resources; but also give incentives to private initiative to generate about 500,000 productive jobs in the 3-year period. At the end of this year, the unemployment rate will be 11.8 percent and by the end of the 3-year period, it will be 10 percent or less.

He added that the growth basically depends on the sustained increase of export activities and incentives for sectors that need more general manpower and more manpower. "We want a significant change in economic activities towards exports. The refinement of incentive tools is already being studied. For example, a realistic exchange policy can directly promote export activities by eliminating administrative obstacles that today hinder expeditious work, particularly for the private sector. Another incentive is the repayment of customs. There are other less important measures. Also public investment must be re-directed toward the sectors that generate foreign currency and, at the same time, replace imports."

Cuadra said that President Pinochet gave general instructions for conducting the respective ministries and some precise instructions for the Ministry of Public Works, the Ministry of Mines and the Ministry of Health.

7717

CSO: 3348/779

CHILE

#### TEN MEASURES TO PROMOTE NONTRADITIONAL EXPORTS

Santiago LA NACION in Spanish 12 Jul 85 EL EXPORTADOR pp 7-8

[Text] The Executive Branch will propose 10 specific initiatives designed to promote exports--especially nontraditional ones--to the Government Junta. Below is a summary of the measures, some of which will require supreme decrees.

1. Repayment will be granted for minor exports equivalent to 10 percent of the liquid value. This repayment would be granted to all products shipped as of 1 July 1985 and those--based on classification of the existing customs rate--that were exported in 1983 and 1984 for an average of \$2.5 million or less.

About 860 items would benefit from this mechanism. They can receive the repayment to the extent that imported supplies used in them did not use suspensive or returnable customs mechanisms.

All the items mentioned above represent 90 percent of the products that our country is in the position to export as its competitive capacity increases.

These products will continue to receive this benefit until the total value of exports reaches \$7.5 million per year.

2. It will propose selectively extending the benefit of importing supplies to be incorporated in export products to the so-called indirect exporters--that is, those who provide national supplies for the exporters.

This measure will make it possible for the suppliers of national parts to better compete with foreigners who bring their products into the country without paying customs.

3. Credit operations for exports will be exempt from stamp taxes which will mean a reduction of up to 2.4 percent per year.

4. The IVA [Value Added Tax] on the purchase of physical assets that will become fixed assets will be returned 6 months after the date of purchase.

5. An amendment will be introduced to the Banks Law to increase margins for guaranteed and unguaranteed loans to exporters by commercial banks. The commercial banks will have their loan margin increased to 15 percent of their



capital and reserves for unguaranteed loans and from 25 percent to 30 percent for guaranteed loans.

6. In the future the list of capital goods that can be imported with deferred payment of customs will be expanded selectively if they are designated for export activities or activities of the so-called indirect exporters.

A bill to amend D.L. 1.226 so that the producer who exports 60 percent or more of his production can absolve 100 percent of the debt he contracted with the National Customs Office when importing has been introduced. The rest of the exporters can absolve the debt to a greater or lesser extent based on the percentage their exports represent of total sales.

7. Pertinent provisions will be passed to facilitate so-called "in-bond" activities. In-bond means those export activities that bring in foreign supplies to be processed in the country and then sent to another country without importing any processed parts.

8. The Central Bank of Chile will grant more facilities to exports made under the mechanism of free consignment, particularly efforts to open new markets or sell new products abroad.

9. Also the Central Bank of Chile will adopt a series of agreements to facilitate exports like:

a) Elimination of the report on stock changes;

b) Authorization to liquidate foreign currency returned on the maximum due date, 90 days after the date of shipment.

c) Authorization to pay interest on foreign credits from advanced payment of suppliers;

d) Access to the foreign currency market in qualified cases for the payment of expenses for warehouses abroad.

10. Finally, the government has requested collaboration from the IMF so that a top expert will visit our country in July to evaluate the suitability and feasibility of a bill for export credit insurance.

7717

CSO: 3348/810

CHILE

93 PERCENT OF JANUARY-FEBRUARY EXPORTS WENT TO 25 NATIONS

Santiago LA NACION in Spanish 12 Jul 85 EL EXPORTADOR p 32

Position Feb 1985 Survey	Position Feb 1984 Survey	Country	Jan- Feb 84 US\$	Jan- Feb 85 US\$	Change from Feb 84	Percentage of Total Exports
1	1	United States	195.4	171.9	-12.0	30.6
2	2	Japan	80.0	61.1	-23.6	10.9
3	3	FRG	69.9	47.4	-32.2	8.4
4	6	Italy	31.1	36.6	17.7	6.5
5	4	United Kingdom	37.9	30.6	-19.3	5.5
6	7	France	27.6	23.8	-13.8	4.2
7	8	Brazil	19.7	20.5	4.1	3.7
8	9	Belgium	16.1	20.3	26.1	3.6
9	10	Spain	13.3	15.1	13.5	2.7
10	13	Argentina	6.6	12.6	90.9	2.3
11	12	Holland	9.0	12.3	36.7	2.2
12	11	South Korea	9.2	9.2	0.0	1.6
13	22	GDR	1.1	8.8	700.0	1.6
14	17	Peru	4.0	7.1	77.5	1.3
15	5	PRC	33.0	6.9	-79.1	1.2
16	14	Colombia	6.4	6.4	0.0	1.1
17	20	Ecuador	1.6	5.5	243.8	1.0
18	--	Greece	0.0	4.5	-----	0.8
19	23	Sweden	0.2	4.3	2050.0	0.8
19	17	Venezuela	4.0	4.3	7.5	0.8
21	21	Arab Emirates	1.5	3.8	153.3	0.7
21	14	Taiwan	6.4	3.8	-40.6	0.7
23	16	Saudi Arabia	5.3	3.3	-37.7	0.6
24	--	Yugoslavia	----	3.0	-----	0.5
25	19	Bolivia	2.5	1.9	-24.0	0.3
		Subtotals	581.5	525.0	-----	93.5
		Other countries	31.6	36.4	-----	6.5
		General total	613.4	561.4	-----	100.0

CHILE

BRIEFS

**JAPAN REDUCES IMPORT TARIFFS**--The Japanese ambassador, Koichi Komura, reported yesterday that his government has decided to reduce customs on 42 Chilean products that enter that country. The diplomat announced this decision during a meeting with the minister of foreign relations, Jaime del Valle. At the end of the meeting, he explained: "I came to discuss trade between the two countries. The Japanese Government has decided to adopt new measures to reduce the commercial tariffs on 42 Chilean articles that will now benefit from concessions." He indicated that this measure will cover agricultural products, wines and pisco. Komura indicated that these customs reductions will go into effect in 1986. The embassy will soon give more details on this. [Excerpt] [Santiago EL MERCURIO in Spanish 26 Jun 85 p C-3] 7717

**EGYPTIAN AGRICULTURAL DELEGATION**--Next Sunday an Egyptian mission headed by the Egyptian undersecretary for administrative development of the Ministry of Agriculture, Al Said Mohamed Fahim, will arrive in the country to meet with different officials from the national agricultural sector. The Foreign Ministry also reported that the group plans to exchange experiences and visit sites where agricultural development projects are being carried out. The mission will also include: Rashad Mohamed Abu Ely-Nasr, chief of the Joint Programs Office; Aicha Mukhtar Al-Zayady, specialist in programming services; and Samir Mohamed Al Zeny, director of financial and administrative affairs. This visit is under a program organized by the Egyptian International Agricultural Center. It is part of a tour through the Latin American and Caribbean countries that cooperate with that organization through training programs. The objective is to evaluate this cooperation and exchange experiences. [Text] [Santiago EL MERCURIO in Spanish 27 Jun 85 p C-5] 7717

**PRC DENIES SUPPORT STATEMENT**--The Chinese Embassy, through consul Pan Wenjie, yesterday denied the wire stories from Beijing that the former president of Venezuela, Carlos Andres Perez, said that the leader of the Communist Party of China, Hu Yaobang, had praised "the struggle of the Chilean people against President Augusto Pinochet, a rightist." According to the Chinese consul in Santiago, "that report is not true." Wenjie indicated that this story cannot be true since Carlos Andres Perez visited Beijing last month. He also stated that none of the subjects that the wire story mentions were discussed during the talk he had with Hu Yaobang. The consul added that the embassy did not consult the Chinese Government on the matter "because we knew that the visit took place last month and none of that had been mentioned in the statement provided after the meeting. That story is untrue." [Text] [Santiago EL MERCURIO in Spanish 28 Jun 85 p C-3] 7717

**INDUSTRIAL PRODUCTION DOWN**--The INE [National Institute of Statistics] detected a 4-percent decline in industrial production units last May compared to May 1984. Sales in the sector rose 0.3 percent. Meanwhile, SOFOFA [Industrial Development Association] figures revealed a 2.1-percent drop in production and 0.7 percent in sales for the same month. INE statistics for the January-May period indicate that the number of industrial production units went down 0.2 percent while sales increased 3.2 percent. SOFOFA figures show a drop of 0.9 percent in production and a 1.6-percent increase in sales for the same period. [Excerpt] [Santiago EL MERCURIO in Spanish 9 Jul 85 p B-1] 7717

**NEW AMBASSADOR TO LONDON**--The Government of Great Britain has approved the appointment of Mario Silva Concha as Chilean ambassador to that country. Ambassador Silva Concha, who is now protocol director, will replace Ambassador Francisco Orrego Vicuna, who resigned for health reasons and is now in Santiago. [Summary] [Santiago Domestic Service in Spanish 1730 GMT 29 Jul 85 PY]

**NEW ECONOMIC ADVISORY COUNCIL**--Guillermo Lunecke, the Foreign Ministry director for international economic relations, has presided over a ceremony installing an advisory council charged with making recommendations on international economic negotiations. Lunecke said the private sector will participate actively in this council. [Summary] [Santiago Domestic Service in Spanish 1100 GMT 26 Jul 85 PY]

CSO: 3348/876

COLOMBIA

BRIEFS

INDIAN AFFAIRS OFFICE CREATED--Attorney General Carlos Jimenez Gomes has created the Office of Indian Affairs. The office was created after the attorney general visited the Indian reservations in Sierra Nevada. He fears that the Indians will join the guerrillas, as has been the case with the Quintin Lame terrorist group. The police in Sierra Nevada, in an effort to control the growth of marijuana, had bombed the Indian land with a chemical that has made it infertile. This has resulted in a serious problem for the Indians, who have no land to work or food. During his visit to the reservation, the attorney general found the Indians drunk and unemployed. He has ordered an investigation of the destruction of their land. [Summary] [Bogota EL SIGLO in Spanish 11 Jul 85 p 2 PA]

NEW AMBASSADORS--Today the Honduran and Thai ambassador to Colombia, Jorge Elias Flefil Larach and Pranom Kongsamut respectively, presented their credentials to President Belisario Betancur. [Summary] [Paris AFP in Spanish 0032 GMT 24 Jul 85 PA]

MID-YEAR ECONOMIC REPORT--The Colombian Comptroller's Office issued a report crediting recent economic adjustment measures and curbs on investments for the decrease in fiscal, budget, and treasury deficits during the first half of 1985. Compared to figures obtained during the same period last year, the budget deficit is \$9.330 billion, an 83.6 percent decrease; and the fiscal deficit is \$49.052 billion, a 49 percent decrease. Moreover, revenues rose from \$186.6 billion to \$255.5 billion, which is an increase of 36.9 percent. The report added that the servicing of the foreign debt rose from \$16.661 billion to \$26.866 billion, a 61 percent increase. [Summary] [Bogota EL SIGLO in Spanish 25 Jul 85 p 9 PA]

NEW SENATE PRESIDENT--Dr Alvaro Villegas Moreno has been chosen new president of the Colombian Senate. [Summary] [Bogota EL SIGLO in Spanish 26 Jul 85 p 8]

AMBASSADOR IN CARIBBEAN RESIGNS--The national government has accepted the resignation of Dr Antonio Lacouture Dangond, ambassador to Trinidad and Tobago and nonresident ambassador to St. Vincent and The Grenadines, St. Lucia, and Grenada. [Excerpt] [Bogota EL SIGLO in Spanish 31 Jul 85 PA]



COFFEE REVENUES DECLINE--Colombian revenues from coffee exports dropped by \$80 million this year because of International Coffee Organization cuts. [Text] [Bogota EL TIEMPO in Spanish 31 Jul 85 p 1 PA]

1984 PRODUCTION INCREASE--According to the National Administrative Department of Statistics (DANE), production in 1984 totalled 3,691.6 billion, a real term increase of 3.2 percent. Final public administration consumption, which is an indicator of growth of that sector within the economy, totalled 2,601.2 billion, a real term increase of 2 percent. [Summary] [Bogota EL SIGLO in Spanish 31 Jul 85 p 10 PA]

GOLD, SILVER DISCOVERED--Bogota, 1 Aug (EFE)--The government has reported that gold and silver reserves of a million tons were discovered in the Marmato zone, in the center of Colombia following a feasibility study. According to the report there are estimated reserves of 754,600 tons of minerals of 5.5 to 8.5 grams per ton of gold, and 24 to 30 grams per ton of silver. The Colombian Mining Enterprise says that it is presently establishing a firm to exploit the project, which requires an investment of over \$7 million. [Summary] [Madrid EFE in Spanish 1628 GMT 1 Aug 85 PA]

CSO: 3348/877

GUATEMALA

GOVERNMENT, PRIVATE SECTOR IN DIALOGUE ON ECONOMIC CRISIS

Commission Submits Recommendations

Guatemala City EL GRAFICO in Spanish 27 Jun 85 pp 5, 58

[Text] Guatemala City, 26 June—The government of the republic today (Wednesday) was studying the list of recommendations for facing the country's economic crisis. The list was submitted to it Tuesday by the Technical Commission of the National Dialogue.

The secretary general of the president's office, Manuel Giron T Sanchez, stated today that 10 July is the deadline for the provisions recommended by the National Dialogue.

The Technical Commission of the National Dialogue issued the following recommendations:

I. Fiscal Policy Measures

In order to reduce the budget deficit and its inflationary effects, with the least possible impact on the available income of the population, the following is recommended:

A. Public Spending Side

1. Immediate reduction of central government spending by 72 million quetzals from the outlays called for in the 1985 budget, with the least possible effect on the investment budget. The measures recommended by the Public Finance Ministry should be implemented, and a ceiling of 1,002,300,000 quetzals should be imposed on central government spending for operations and investments in 1985.

The reduction should not affect basic social services or employment.

2. Reduction of operational spending of decentralized agencies in 1985, by not less than 28 million quetzals.

3. Creation of a Public Spending Evaluation and Rationalization Commission for the purpose of raising the efficiency and effectiveness of public

administration, and if possible, obtaining further reductions. For the same purpose, it is recommended that this commission review the cost-effectiveness of the decentralized agencies.

## B. Revenues Side

In order to increase the revenues collected by the central government, it was accepted as a basic tenet that efficiency in collecting current taxes is the basis for obtaining necessary revenues in the future. To partially correct the current budget deficit, however, the following is recommended:

### 1. Creation of New Taxes and Administrative Improvements

1.1. Implementation of a tax equivalent to 3.5 percent of the difference between the free market purchase value of the United States dollar and its official market value, excluding from such tax: a) transactions originated by exports, or that portion of them which provides the foreign currency necessary for payments on the essential goods market; and b) imports of agricultural inputs, medicines and fuels. In the case of industrial activity, this tax will be compensated by the new Central American tariff, NAUCA II, to be implemented in October 1985. It is estimated that this tax will yield 60.1 million quetzals between July and December 1985.

1.2. The levying of a Selective Excise Tax on non-essential goods. A specific commission will be appointed to study the characteristics of this tax and to make recommendations. It will comprise representatives of the Public Finance Ministry, the Economy Ministry, and the Chambers of Commerce and Industry. It must present its conclusions on or before 15 July 1985. This tax should yield a maximum of 10.0 million quetzals between July and December 1985, and should be compatible with the new Central American Common Tariff (NAUCA II), which will take effect on 1 October 1985.

1.3. A 10-quetzal increase in the tax on air departures, which will bring in an estimated 1.0 million quetzals in additional revenues from July to December 1985.

1.4. An increase in collections of the Real Estate Tax, amounting to approximately 6.0 million quetzals, through the revision of existing legislation, the expansion of the tax base and administrative improvements.

1.5. A raise in the lifeline minimum of the Income Tax in order to adjust it to people's real income, taking inflation into account, and an increase in the disposable income of those subject to this tax.

1.6. Any increase in collections slated for 1985 should be used to reduce the budget deficit, not to augment spending.

2. Creation of the Commission to Study the Tax Collection System, which will be responsible for suggesting changes to improve this system.

### C. State Enterprises

For the purpose of reducing the state enterprises' dependence on the public treasury, improving their efficiency and reorienting public investment, the following is recommended:

That natural and moral persons with monthly incomes equal to or exceeding 1,000.00 quetzals be required to purchase bonds, to be issued for that purpose, in the amount of 20 million quetzals. Another bond will be floated for an equal amount, for voluntary purchase. The bearer may choose whether to redeem the latter bond in quetzals or in the form of shares in state enterprises, to be determined by a specific commission made up of representatives of the entities participating in the Great National Dialogue. In addition, this commission will decide what measures are necessary to enhance the efficiency of the state enterprises by converting them into mixed or private corporations on terms that guarantee that the public interest will be served. The commission's report should be submitted within the next 2 months.

## II. Monetary, Exchange and Credit Policy Measures

The Technical Commission of the Great National Dialogue feels it is necessary to adopt measures aimed at curbing the inflationary pressure that stems from both monetary and structural sources. It believes, however, that structural policies are implemented and take effect in the medium and long term, so this Commission's recommendations are limited to those measures that will yield results in the short term.

### A. Monetary Policy

The country's monetary policy should adjust the growth of the means of payment and primary money to the economy's needs, without adding monetary stimuli, so that monetary policy will not be inflationary.

It is recommended that the Monetary Board strictly adhere to these objectives.

### B. Credit Policy

It is recommended that the Monetary Board's credit policy observe the following parameters:

1. Maintenance of an adequate balance in the credit market so that credit programs geared to small businesses and others that provide significant numbers of jobs can be accelerated. This assistance should be channeled primarily through producers organized into cooperatives, trade unions and other associative forms. Special attention should be given to small and medium-sized producers who are involved with the programs of the Caribbean Basin Initiative. Credit channeling should contribute to the decentralization of the country's economic activity.

2. Credit support for export activities, in terms of both traditional and non-traditional exports, as well as activities oriented toward the domestic market.

From this standpoint, it is believed that the Monetary Board should adopt measures to restrict the granting of credit for speculative purposes. The Monetary Board should use all the means at its disposal to further this goal.

3. To the extent that the country's economic situation and monetary policy permit, the interest earned on the funds of the IVS [expansion unknown], and the 40 percent of technical reserves that insurance carriers currently invest in bonds, should be invested in credit instruments for low-income housing, on terms that maintain liquidity and actuarial yields. In addition, the possibility of eliminating the legal restriction on finance companies that prevent them from investing in housing should be investigated, as should the viability of savings and credit systems for housing. For this purpose, the respective proposals should be submitted to the Monetary Board.

### C. Exchange Policy

Because one of the primary objectives of economic policy is to ensure the domestic and foreign stability of the quetzal, the Commission recommends the adoption of exchange policy measures that will gradually strengthen the quetzal and eliminate multiple exchange rates. Therefore, it suggests that the following measures be implemented:

1. Transfer from the essential goods payment market to the goods and services bidding market, the following products: medicinal and dietetic powdered milk, lard, cakes made of oleaginous seed meals, rock salt and unrefined sea salt, oils for human consumption, books and printed pamphlets, newsprint, spare parts and implements for agricultural machinery, studies abroad, medical treatment abroad, travel expenses for official trips abroad, and public sector imports.

Therefore, the only items that will remain on the essential goods payment market are wheat, agricultural inputs, fuels, medicines and their raw materials, hand tools for crafts, hoes, shovels, picks, bricklayer's hammers and other hand tools for agriculture, the public foreign debt, the private debt that is due and credited before 15 November and that which is not due but has been registered before that date, and the debt arising out of imports of essential goods that have exchange licenses.

2. The Public finance Ministry and the Monetary Board should study the possibility of transferring to the bidding market all foreign exchange derived from new external loans contracted by the public sector after the implementation of the measures recommended herein. In addition, they should look into the possibility of the public sector's purchasing the necessary foreign exchange to service those credits on this market.

3. Under the current circumstances, any increase in fuel prices is considered ill-advised. This Commission recognizes, however, that from the economic and technical standpoint it is necessary to rectify the fuel pricing policy in order to prevent any inflationary impact that might result from monetization to finance fuel imports.



Nonetheless, this Commission also recognizes that the measures taken in this area may pose social and political risks that should be taken into due consideration.

For the above reasons, the Technical Commission recommends that the government of the republic take the responsibility of adopting gradual and timely measures aimed at confronting the problem in a reasonable manner, with an effort to coordinate these measures with other fiscal, exchange and credit measures in order to minimize their effects on the cost of living. With regard to this point, the University of San Carlos based its position on the following considerations:

"The University of San Carlos expressed its opposition to the creation of a tax on fuels or any increase in fuel prices.

"Fuels are a strategic input; they have repercussions in all sectors and influence the entire process of economic production and circulation.

"Increasing prices automatically unleashes strong inflationary pressures in myriad economic activities, and the end result is a severe deterioration of the standard of living in the vast majority of the population."

4. A bidding market with a fixed exchange rate to be set by the Bank of Guatemala should be created. This market will use a quota system to handle imports of goods and services that are now processed on the essential goods payment market but will be transferred to the bidding market.

5. Incentives should be provided for non-traditional exports and other products that would not otherwise be exported; they should be given the equivalent of 100 percent of the foreign exchange they earn.

6. Because they are important factors in the economy, export products included in the essential goods category should also be promoted through exchange incentives, to the extent that the essential foreign exchange budget permits.

7. The institutionalization of money exchange offices should be accelerated, and the Monetary Board should study the legislation that would be necessary to punish those who violate exchange regulations.

The Confederation of United Trade Unions of Guatemala has maintained the position that the money exchange offices should not be allowed to operate, and that the foreign currency market should be controlled by the banking system, under the supervision of the Central Bank.

8. Businesses that are capable of supervising and certifying qualities and prices of imports and exports should be hired to do so, under the internationally accepted legal system. The sales contracts or other legal documents that govern these transactions should be taken into consideration for this purpose.

9. The implementation of measures should be stepped up so that exporters who have ceased to earn foreign exchange or have fallen behind unjustly can obtain this foreign exchange more quickly, and legal sanctions should be imposed on those who have violated or violate current exchange provisions in each case.

### III. Promotion of Exports

One of the most important objectives that the national economy should pursue, so that the economy can grow at a constant and orderly pace, is the expansion of the supply of exportable products and services. For this purpose, this Commission recommends:

- A. The creation of a legal framework for facilitating the development of foreign marketing companies.
- B. The simplification of export procedures in both the commercial and customs spheres and the exchange sphere.
- C. The establishment of a policy of open skies and seas. The University of San Carlos has stated that this policy is not clearly defined, so it abstains from expressing an opinion.
- D. Negotiations with the European countries to establish a program of cargo flights to this country through the combined effort of the airlines of the European Economic Community (EEC) countries, under the auspices of economic cooperation agreements. These countries would absorb the difference between the cost and the yield of those flights.
- E. The promotion of foreign investment in the country, especially that which would contribute to expanding exports. In addition, the country's supply of exportable and exchangeable goods should be quantified, and the factors that have impeded these exports and exchanges should be clearly identified.
- F. The creation of a commission that would recommend measures to promote traditional and non-traditional exports.

### IV. Labor Policy Measures

The Technical Commission of the National Dialogue has determined that the top priority problems include the following:

- Increasing the overall level of employment
- Improving salaries, wages and fringe benefits

For solving these problems, the following recommendations are made:

- A. Businesses should engage in direct dialogue with their employees to review wages and try to adjust them, within the economic limitations of these companies.

B. Recognizing the right of workers to organize freely, it is recommended that the formation and operation of free labor unions not be impeded, so that a constant, constructive dialogue can take place between management and labor and together they can reactivate the national economy.

C. Legislation should be passed to provide for compensation for the termination of the employment contract or relationship by mutual consent. For this purpose, a commission should be formed, to be composed of representatives of the business sector and the Confederation of Unified Trade Unions of Guatemala. It should submit the respective draft legislation to the president's office.

#### V. Consumer Protection Policy Measures

Pursuant to its economic policy, the state should coordinate fiscal, monetary, credit and exchange measures in order to prevent any increase in the overall level of prices.

With regard to prices, the Technical Commission of the National Dialogue recommends that such measures be formulated in keeping with the consumers' interests, as well as those of the other sectors involved.

For this purposes, it recommends:

A. A pricing policy based on coordinated efforts, one that will not encourage false hopes and will obtain concrete results. A flexible price control policy should be established along these lines, to set forth general provisions for realistic price adjustments on the basis of reports resulting from analyses of the costs and prices of goods on the international market. While these steps are being taken, the Commission recommends that the necessary measures be adopted to protect the consuming public by temporarily freezing the prices of basic consumer items, in accordance with the official list of the Economy Ministry. Decree-Law 1-85 and its regulations should be applied in this case. With regard to the products that are affected by the decision to transfer goods from the essential goods market to the bidding market, immediate steps should be taken, based on the necessary information, to quantify the effect this measure will have on costs. Then the aforementioned commission can use this information to determine how much of an adjustment is warranted, and the Monetary Board can alter the prices of the goods in question accordingly.

B. It is suggested that a National Price Regulating Commission be formed, to be composed in equal proportions of the Confederation of United Trade Unions, the private sector and the government. It should be coordinated by the minister of the economy, in consultation with the institutions he deems pertinent, including the universities. The proposed commission should give priority to reviewing existing price regulation legislation so that it can be made more functional and effective, while protecting the consumer.

C. By the same token, the Technical Commission of the National Dialogue believes that a national consumer education campaign should be launched. All sectors represented in the Dialogue should participate in this campaign, and consumers should be encouraged to organize.

## VI. Other Measures, Complementary Recommendations

A. A Multi-Sector Commission on External Financing should be appointed for the purpose of utilizing all political and diplomatic contacts to obtain international support for overcoming the country's economic crisis.

Its efforts would be aimed first of all at obtaining the financing necessary to restructure the country's foreign debt, particularly that of the Bank of Guatemala. Thus, it will be possible to minimize the pressure that debt is now exerting on the availability of foreign exchange for production.

B. For the purpose of making more efficient use of energy resources, the following is recommended:

1. That the prompt implementation of a Traffic Plan for the Central Area of Guatemala City be investigated.

2. That a Technical Commission on the Rational Use of Energy be formed to suggest the appropriate measures.

This Commission would also carry out a suitable follow-up to determine if the measures are implemented adequately. The Commission should be made up of representatives of the sectors involved.

3. The different sectors participating in the Great National Dialogue should carry out publicity campaigns to inform the public of the need for the proper use of various energy resources and the need to conserve fuel.

4. The production of gasohol and other alternative energy sources to replace petroleum derivatives should be encouraged, with passage of the appropriate legislation.

C. It is necessary to establish mechanisms to coordinate all actions related to the country's electricity development planning and policy. The relations of the electricity enterprises should be regulated, and technical standards for quality and prices should be established to benefit the consumer. For these purposes, it is recommended that an Electricity Subsector Regulating Commission be formed, and that the National Institute of Electrification (INDE) Law, Congressional Decree 1287, be amended. The attached bills and others that may be proposed should be taken into consideration for this purpose.

D. The Technical Commission of the National Dialogue recognizes the fundamental role that cooperative organizations are playing to promote the country's social and economic development, and it therefore recommends that they be given the necessary support to continue their strengthening and development as much as possible.

E. Efforts to guarantee the security of the citizenry should be stepped up, within the framework of the universal principle of human rights.



F. The government is urged to adopt measures to prevent corruption and to promote legal actions within the purview of the Public Ministry, pursuant to the current Responsibilities Law (Legislative Assembly Decree 1547) and other applicable laws, to punish the officials, dignataries and public and private employees who commit crimes and who have caused so much damage to the country. Actions should also be taken to recover the property obtained illicitly as a consequence of such acts.

#### Government Responds

Guatemala City EL GRAFICO in Spanish 3 Jul 85 p 4

[Text] Guatemala City, 2 July—The government responded to the recommendations of the Technical Commission of the National Dialogue today by freezing the prices of basic consumer goods.

This was reported briefly by Economy Minister Ariel Rivera Irias as he left a meeting with the chief of state to fulfill another obligation.

Rivera reported that the chief of state today issued and published in the Official Gazette a government agreement freezing the prices of the products in the family basket.

At the same time, a price regulating commission was formed. It will be composed of representatives of the different ministries that pertain to this area, including the Economy, Agriculture, Public Health, Education, and Energy and Mines Ministries.

#### New Selective Excise Tax Studied

In addition to the government measures that were made public in the Official Gazette, others are under study as well, revealed Finance Minister Armando Gonzalez Campos.

For example, he stated, a commission was named to formulate a selective tax that would be compatible with the new customs tariff that will take effect throughout Central America on 1 October.

Since this new tariff is less protectionist, the countries have an opportunity to increase their revenues with a consumption tax.

The finance minister said that he thinks the National Dialogue yielded very positive results. He indicated that the fact that the management, labor and cooperative sectors of this country can sit down with the government to engage in serious discussions of the nation's problems is a great step forward.

Minister Gonzalez Campos added that these conversations will continue as needed.

He noted that the provisions adopted, such as increasing the tax on departures from the country, are expected to reduce the budget deficit. He explained that this tax is not discriminatory, and affects the tourists who come to this country as well, when they leave.



GUYANA

BRIEFS

KOREAN TRAWLER POACHING--Georgetown, Thurs, (Cana)--Principal Magistrate Desmond Burch-Smith ordered the confiscation yesterday of two of three South Korean trawlers seized on July 4 for breaching the Maritime Boundaries Act by illegally entering Guyana's exclusive fisheries zone. The three captains, Pak Lai Soo, Kim II Hoan and Son Seong Nam, were fined after pleading guilty. Pak Lai Soo was fined \$75,000 and the other two captains \$10,000 each. The trawlers, Shimwah 32 and Shimwah 15, along with the fishing gear and catch from all three vessels were ordered confiscated. The three captains, who had pleaded not guilty when they appeared in court on July 11 changed their pleas yesterday. The confiscated trawlers, plus the third vessel, the Barbara M, were held by the Guyana Defence Force ten miles off the eastern coast of Berbice, 67 miles east of Georgetown, with 23,500 pounds of prawns. In April last year five South Korean trawler captains were fined \$200,000 each for illegally fishing in Guyana's exclusive fishery zone, but the vessels were returned to them. [Text] [Port-of-Spain TRINIDAD GUARDIAN in English 26 Jul 85 p 5]

CSO: 3298/920

MEXICO

MEXICO CITY METROPOLITAN AREA COST OF LIVING RAW DATA

Chicken, 450-800 Pesos

Mexico City EL DIA (METROPOLI supplement) in Spanish 7 May 85 p 9

[Excerpt] Suddenly, a kilogram of chicken showed up at 800 pesos in mobile street markets, working-class markets, poultry stores and authorized shops in the NZT (Naucalpan-Zaragoza-Tlalnepantla) zone.

This was reported by housewives and consumers in general who were interviewed at random in the Ignacio Zaragoza supply center in Atizapan, the Filiberto Gomez, in Tlalnepantla, and the Pochteca, in Naucalplan.

Our informants complained that, without consideration, the price of a kilogram of chicken, for legs, thighs and breasts, shot up to 800 pesos.

It has caused annoyance among housewives that chicken budget cuts, consisting of wings, backs and rumps, should be priced as high as 450 pesos.

They asked both the Office of the Federal Attorney for the Consumer and the authorities in the Secretariat of Commerce to indict the merchants who, without prior permission, raised the price of a kilogram of chicken to 800 pesos and that of budget cuts (a food with the largest consumption among the working class) to 450 pesos.

Survey of Basic Products

Mexico City EL DIA (METROPOLI supplement) in Spanish 15 May 85 p 6

[Text]Who's Who in Prices-Basic Products  
Non-advertising service page for EL DIA's readers

Prices researched 14 May 1985

For further price information call: 568-87-22

# Shopping Centers

Unit of Measure	Product	Shopping Centers									
		Zapotitlan Market	CONASUPO	Aurrera	Blanco Mexicana	Comercial De Todo	Gigante El Sardinero	La Luna	Sumesa		
1 kg	Bagged pinto beans	-	-	94	94	94	94	94	94		
1 kg	Rice in super extra bag	-	-	141*	141*	141*	141*	141*	141*	134**	
1 lt	1,2,2 safflower oil	249*	-	-	249*	247**	249*	-	-	249*	
250 gr	Legal coffee (packet)	150**	158*	158*	158*	157	-	158*	-	-	
200 gr	Hollow pasta for soup	-	-	67*	67*	66	67*	64**	67*	67*	
425 gr	8.4% Rex egg-white	-	-	-	-	-	-	-	-	-	
	Dolores sardines	138*	-	-	130**	-	-	-	-	-	
1 kg	in tomato sauce	400	-	549*	369**	399	549*	549*	519	480	
1 kg	Whole chicken	300	305	180**	382*	300	382*	382*	360	-	
1 kg	Chicken budget cuts	-	-	-	-	-	-	-	-	-	
1 kg	Chicken organs	250**	365	458*	-	449	458*	458*	-	458*	
1 kg	(gizzards, livers)	500*	390	390	439	385**	490	490	490	490	
1 kg	Beef stew meat	560*	485**	526	545	523	526	526	499	526	
1 kg	Pork shoulder	-	142**	145	209*	185	149	199	149	167	
1 kg	Pork blood sausage	120	113	119	112	70**	159*	99	106	154	
1 kg	Tomatoes	25	26	31	19**	19**	32*	25	27	29	
1 kg	Onions	45	56	57	30**	55	62	66*	61	57	
1 kg	Potatoes	200	247	299	119**	274	314	354*	256	276	
1 kg	Mountain chiles	90*	66	71	75	40**	76	86	55	72	
1 kg	Sour lemons	85	100	109	99	70**	104	99	88	118*	
1 kg	Oranges	70**	74	75	95*	74	75	86	81	75	
1 kg	Tabasco bananas	190*	159	-	-	120**	189	-	-	179	
1 kg	Eggs	-	-	-	-	-	-	-	-	-	

\* indicates highest price

\*\* indicates lowest price

### Short-Weight Kilograms

Mexico City EL DIA (METROPOLI supplement) in Spanish 20 May 85 p 9

[Text] Naucalpan, Mex., 19 May--Most of the 900 mobile street market merchants affiliated with the State of Mexico Merchants Union, headed by the sixth municipal councilman, Enrique Gasca Miranda, are cheating housewives and consumers as a whole on both weight and price.

This was reported by the leaders of the main community resident organizations, led by Celso Contreras Quevedo, of the People's Revolutionary Movement; Rosalia Reyes, of the Residents Democratic Union; and Mario Galicia, of the Naucalpan Residents Union.

The mobile street market merchants operating throughout the municipal area, our informants claimed, are cheating housewives and consumers as a whole giving "kilograms" weighing 800 grams or less, and selling staple consumption products, such as all kinds of meats, fruit, green vegetables and legumes, at higher prices than in the public markets; apart from the fact that many items of prime necessity show an obvious state of spoilage.

They concluded by saying that this situation has caused upsets among the housewives from communities and housing developments where the mobile street market merchants, headed by councilman Gasca Miranda, set themselves up every week.

### Hoarding of Oil

Mexico City EL DIA (METROPOLI supplement) in Spanish 21 May 85 p 11

[Text] Dolores Velazquez, director of women's action in the State of Mexico Confederation of Working Class Urban Communities, said that in heavily populated areas of Naucalpan, Tlalnepantla, Atizapan, Ecatepec, and Nezahualcoyotl, the edible oil is an item for speculation on the part of manufacturers and dealers; because there are places where the staple product is being sold for 300 pesos per liter.

In view of this situation, our informant called for the government to expropriate and put into operation the oil producing plants in Tamaulipas, Chihuahua and Sinaloa, which have been closed without justification.

She said that one of the hoarding maneuvers is being carried out with the cotton and safflower seeds which the manufacturers purchased from the producers in 1979.

Mrs Velazquez explained that the standstill of several oil producing firms in the northern part of the country "is part of a plan to cut the production of the item and force the business to authorize new prices which, in fact, are already starting to be used."

In many sections of the working class area, the price of a liter of oil of the Cordial, Libertador, i,2,3, Mazola, Casa and Fud brands is set at between 260 and 300 pesos.

Bread Rolls: 6 Pesos

Mexico City EL DIA (METROPOLI supplement) in Spanish 21 May 85 p 11

[Text] Naucalplan, Mex., 20 May--One of the leading manufacturers in the bakery industry, Eulalio Alcantara Chimal, owner of 26 shops, has raised the price of white bread to 6 pesos apiece for "bolillos y teleras" [rolls].

This was reported by the Naucalplan Federation of Working Class Communities.

Its head, Pedro Pineda Gonzalez, claimed that the powerful baker has the protection of the commercial authorities, to the detriment of the thousands of consumers in El Molinito, La Canada, San Antonio Zomeyucan, San Rafael Chamapa, Martires de Rio Blanco, El Chamizal, Benito Juarez, San Esteban, El Olivar and other working class communities in which Alcantara Chimal has his shops.

Pineda says that the baker's attitude is harming thousands of people who lack the money to purchase white bread, much less pastry, because the official price of "bilillos y teleras" is 2 pesos apiece.

The director said that the Federation of Working Class Communities would request the intervention of the SECOFI [Secretariat of Commerce and Industrial Development] agent in the State of Mexico, to impose an exemplary penalty on the baker Alcantara Chimal.

Water, 100 Pesos

Mexico City EL DIA (METROPOLI supplement) in Spanish 25 May 85 p 9

[Text] Ecatepec, Mex., 24 May--Approximately 50,000 people in the urban communities situated east of the municipality have lacked water for several weeks, which has caused the water truck operators and small-scale water vendors to engage in a black market with the liquid, selling it for as much as 100 pesos per 200-liter barrel.

The charge was made by Patricia Castro Mendoza, on behalf of a large group of housewives who showed up to make the pertinent complaint to the head of the drinking water office, Fernando Garcia Vazquez.

Our informant said that, thus far, the municipal authorities have not come to the aid of the thirsty residents of the urban communities of Piel Roja, Prizo I, II and III; Sagitario I, II and III; Melchor Muzquiz, San Juan de Aragon, etc.



The problem has become worse because water truck operators and small-scale water vendors are limiting the sale of the liquid to individuals whom they prefer, leaving a large portion of the urban communities without a supply.

It has been complained that, in other instances, people have to buy a barrel for 100 pesos because, as the water truck operators themselves claim, "We are not selling in separate containers," that is, in tubs, buckets, alcohol jugs or other receptacles.

#### PMT Minimum Wage Estimate

Mexico City EL DIA (METROPOLI supplement) 26 May 85 p 1

[Excerpt] To recover the loss that the purchasing power of the minimum wage has undergone since 1976, the current mini-wage would have to be 1,980 pesos, merely to break even; whereas, if there were really fulfillment of the constitutional stipulation that the wage must be sufficient to decently meet the needs of the worker and his family, it would have to be at least 3,400 pesos per day.

The foregoing statement was made by Leonardo Valdez, secretary of electoral affairs of the Mexican Workers Party [PMT] in the Federal District, while proposing the defense of the adequate minimum wage as one of his party's principles, in the presence of the members of the Law Clerks Association, in what at first had been scheduled as a debating session, to be attended by representatives of the Unified Socialist Party of Mexico (PSUM) and the Revolutionary Workers Party (PRT).

#### Oil, 400 Pesos

Mexico City EL DIA (METROPOLI supplement) in Spanish 27 May 85 p 3

[Text] Despite the fact that the Secretariat of Commerce and Industrial Development (SECOFI) has claimed that no approval was given for an increase in the price of oil, this product is being sold for nearly 400 pesos per liter in the markets on the outskirts.

As may be recalled, a few weeks ago the dealers from La Merced announced that a liter of oil would have a price hike from 249 to 390 pesos and that, in fact, the hoarding of the product by the distributors had already begun.

At that time, SECOFI declared that there was no permission for this increase, and that an immediate increase was not even being studied or negotiated with the producers.

Nevertheless, in several markets in the municipality of Ecatepec, oil is being sold for up to 400 pesos per liter. The same thing has happened in at least five local establishments in La Merced itself.

Inasmuch as the increase has not been approved by SECOFI, the hoarding is still becoming widespread.

# Survey of Fruits, Vegetables

Mexico City EL DIA (METROPOLI supplement) in Spanish 29 May 85 p 12

[Text] Who's Who - Fruits and Vegetables  
Non-advertising service page for EL DIA's readers

Prices researched 28 May 1985		Shopping Centers									
Unit of Measure	Product	Supply Center	Jamaica Market	La Merced Market	Aurrera Market	Blanco Market	Comercial Mexicana	CONASUPO	Gigante	El Sardinero	La Luna Sumesa
1 kg	Tabasco bananas	50**	60	60	75	74	73	73	75	86*	78
1 kg	Yellow papayas	70**	90	90	114	129	114	112	114	159*	-
1 kg	Green watermelon	70**	75	75	114	105	112	94	114	139*	-
1 kg	Starking apples	270**	280	280	369	399	-	371	474	319	547*
1 kg	Manila mangoes	120**	140	140	138	135	136	129	149*	129	-
1 kg	Bola tomatoes	50**	60	60	129*	105	-	117	124	-	71
1 kg	Medium Bola onions	20**	30	30	31	29	31	29	31	44*	29
1 kg	White potatoes	40**	45	45	54	59*	56	45	59*	59*	54
1 kg	Carrots	80	90	90	84	84	93	89	99*	96	62**
1 kg	Italian squash	55**	60	65	59	59	61	58	69*	69*	55**
1 kg	Thornless chayote	50**	60	65	-	77	113	57	124*	119	114
1 kg	String beans	80**	90	100	159	-	146	132	169*	159	108
1 kg	Mountain chiles	140**	150	150	275	265	285	286	219	256	292
1 kg	Rustic chiles	120**	140	150	362	289	210	286	279	374*	-
Piece	White cabbage	30	40	50*	19	18	15**	16	18	18	25
1 kg	Peppers	70**	80	80	119*	95	98	93	104	84	75
Piece	Tender corn ears	25**	30	30	49*	35	41	41	44	37	40
1 kg	Green tomatoes	60	65	65	71	85*	62	58**	79	75	-
1 kg	Peas in pod	90**	100	100	184	219*	165	162	154	210	148
1 kg	Hass avocados	150**	160	160	178	199	174	173	199	150**	216*

\* indicates highest price

\*\* indicates lowest price

For further price information call: 568-87-22

2909

CSO: 3248/450

26 August 1985

PERU

## FISHERIES MINISTER-DESIGNATE ON SOVIET CONTRACTS

PY221930 Lima Cadena Panamericana Television in Spanish 0230 GMT 22 Jul 85

[Excerpts] President-elect Alan Garcia Perez on 21 July met at his home, in (Chacariya), with three of his future ministers, who were officially designated on 20 July.

Engineer Jose Palomino Roedel, who has been appointed to the Fisheries Ministry, has stated that, among its basic priorities, has considered the utilization of fish as an important item in the people.

[Begin recording] [Palomino] We have not developed a so-called deep-water fishing fleet. Our fishing boats are suited for coastal fishing, right? And when the fishing is done near the coast, then we have no trouble. However, outside the 30-mile range, our fishing fleet becomes unsuitable. Therefore, we have had to enter contracts with Poles, Cubans, Russians. A large portion of our frozen fish supply originates in this manner. As top priority, I feel we must dedicate ourselves to building a deep-water fishing fleet. But we must be very pragmatic. It will take us a few months to build that deep-water fishing fleet. In the meantime, we must ensure the fish supply for the low-income classes. Therefore, we must think of renegotiating, expanding, and defining the terms of the contracts that are currently in effect with the Soviet fleet.

[Unidentified reporter] Precisely, in connection with the Soviet fleet, what is your opinion -- since you will be in charge of this portfolio -- of the problem troubling this sector, that is, the Soviet fishing fleet?

[Palomino] There have been two types of contracts in Peru. One of them signed between the Public Enterprise for Fishing Services (EPSEP) and the Soviet enterprise Soviflot. And, another contract was signed between EPSEP and the Pacific Fishing Enterprise, which, in turn, was middleman for the Soviet fishing fleet. I feel that it was a mistake to sign that contract with a middleman. We have held talks with Soviet Embassy representatives in Lima and I feel that both sides agree that that mistake will not be repeated again and that from now on any talk concerning fishing agreements will be held between governments, between state-owned enterprises without the participation of middlemen. [end recording]

PERU

# FUTURE PRIME MINISTER DISCUSSES FOREIGN DEBT, IMF

PY232227 Buenos Aires REUTER in Spanish 0615 GMT 22 Jul 85

[Text] Lima, 22 Jul (REUTER) -- Luis Alva Castro, who last Saturday was designated as the next prime minister and economy minister of the new Peruvian Government, has promised to adopt an intransigent position when renegotiating the foreign debt which amounts to \$13.6 billion.

The 43-year-old economist, who has written two books about the Latin American foreign debt, will have full powers to implement his ideas during the administration of Alan Garcia who will become president on 28 July.

Besides heading the cabinet as prime minister and being economy minister, Alva Castro, who is also the second vice president, is a congressman and the author of the economic plan that helped the American Revolutionary Popular Alliance Party [APRA] win last April's elections.

Alva described the unpaid, ever-growing service of the debt as a "time-bomb" and added that we will request special treatment from the foreign creditors.

The banks must understand that their arrangements with Peru will have to be different, he said during an interview. We have threats and problems that other countries do not have, like the Maoist terrorist group Shining Path.

Alva Castro says that the future payments on the service of the debt cannot amount to more than 20 percent of the income obtained from Peruvian exports, contrary to the average 45 percent that, according to different sources, the administration of Fernando Belaunde Terry has been paying since 1980.

He also intends to promote payment of at least 25 percent of debt in kind rather than in cash.

The country that the APRA administration will inherit, which according to the Belaunde administration has lost billions of dollars as a consequence of the property damage caused by the terrorist attacks, is one of the Latin American countries with the smallest chance of obtaining new credits from the international financing community.

Just like Alan Garcia, Alva Castro wants to dismiss the IMF from the negotiations of the refinancing of the debt with the foreign banks. The agreements imposed by the IMF are outdated because no one complies with them, Alva said in a recent interview. He said that our agreements with our creditors will not be mandated by the IMF.

Alva Castro is one of the defenders of regional unity regarding the foreign debt subject and he has recommended a plan for equal treatment of all the debtor countries by the creditor countries.

Regarding internal matters, his plan of economic reactivation is based on increasing agricultural production by 50 percent by 1995 in order to drastically reduce the \$500-million bill that Peru has to pay each year for the foodstuffs it must buy from abroad. Two important issues of Alva's administration will also be the increase of exports and the drastic cut in government expenditures.

CSO: 3348/851



PERU

FOREIGN MINISTER-DESIGNATE OUTLINES GOALS

PY231724 Lima Radio Del Pacifico in Spanish 1300 GMT 23 Jul 85

[Text] Foreign Minister-designate Alan Wagner Tizon yesterday stated that the principles that will guide Peruvian foreign policy over the next 5 years will include nationalism, integration, anti-imperialism, and nonalignment.

Upon returning from Washington, in his first statements after officially learning about his designation, Wagner Tizon stated that President-elect Alan Garcia Perez' goal is to develop a very dynamic and active policy to put all the capabilities of the country behind the cause of the Third World.

Moving on, Wagner Tizon pledged his efforts in reshaping the Peruvian image abroad, which is being tarnished by subversive actions.

Concerning the ties with Cuba and the DPRK, Wagner Tizon stated that this is a matter that will have to be discussed with the next congress and especially with the president-elect.

Asked about the solution of the airline conflict, Wagner Tizon stated that this matter will have to be coordinated within the government.

CSO: 3348/851

26 August 1985

PERU

## BRIEFS

AMBASSADORS RESIGN-- Jose Maria de la Jara and Guillermo Hoyos Ozores have resigned their posts as Peruvian ambassadors to Italy and Argentina, respectively. The resolutions accepting their resignations were published yesterday by EL PERUANO. They are both outstanding members of the Popular Action Party. De la Jara had been Interior Minister at the beginning of the current regime. [Text] [Lima Radio del Pacifico in Spanish 1300 GMT 19 Jul 85 PY]

CSO: 3348/851

VENEZUELA

FINANCE MINISTER DISCUSSES 1986-88 INVESTMENT PLANS

Caracas EL UNIVERSAL in Spanish 15 Jul 85 p 2-1

[Interview with Finance Minister Manuel Azpurua Arreaza at his residence, by Bernardo Fischer, date and time not given]

[Text] The Investment Plan for the 1986-88 period will be financed with funds from multinational organizations such as the Inter-American Development Bank (IADB), government export agencies such as Eximbank, credit from suppliers, and whatever contributions the Venezuelan Investment Fund (FIV) can make.

The additional 3-year public spending plan is a proposal by the administration to formulate a series of priorities for the construction of public works. Foreign credit will be used, but the ceilings established for the payment of the public foreign debt will not be exceeded. Thus, the government believes that it can pay off a substantial portion of the debt while using new loans to undertake a number of priority projects for the country.

This information was provided by Finance Minister Manuel Azpurua Arreaza in a conversation with EL UNIVERSAL at his residence. He discussed the results of the first 6 months of 1985, and the alternatives the national treasury has for the second half of the year. This period is seriously compromised by the uncertainty of the oil market.

Azpurua stressed that cutting current spending, as proposed by President Jaime Lusinchi at the Governors Convention on Margarita Island, will yield savings in available contributions from the public administration, especially the decentralized administration; it will not have any effect whatsoever on civil service jobs.

He emphasized that there is plenty of room for current expenditure savings in the state enterprises and autonomous institutions, which will make it possible to set up a contingency fund.

First 6 Months

The finance minister explained that it is still too early to have exact figures on the economic results of the first 6 months of the year. In July,

these results will begin to be analyzed under the Quantified Economic Program so that the necessary corrections can be made.

"We can say, however, that we have achieved positive results in the external sector. There is a surplus in the current account of the balance of payments, and an increase in international reserves. As of 1 January 1985, foreign reserves totaled \$12.5 billion, and by 30 June they had climbed to \$13.481 billion, an increase of \$981 million (a jump of 7.8 percent for this 6-month period).

"Of this total, operative reserves rose from \$7.135 billion as of 1 January to \$7.887 billion as of 30 June, a net gain of \$752 million."

Azpuruá reported that an internal balance has also been achieved, which seems to indicate that the situation will be similar at the end of the year.

Another element he noted about the first 6 months has to do with prices. According to his statistics, which were provided by the Central Bank of Venezuela, the inflation rate is just over 3 percent, which would seem to indicate that by the end of the year the increase will have been less than 10 percent.

As for the growth of the Gross Domestic Product (GDP), he stated that major upswings have been seen in some sectors. Of particular significance is the agriculture and livestock sector, where bumper harvests are expected in corn and sugar cane, just to name two crops. Improvement is also expected in industry, and an upturn is predicted in the construction industry.

"We think that with the approval of the additional investment plan, which involves 6.5 billion bolívars, and the more than 7 billion bolívars in investments under the Coordinated Fixed Appropriation, moderate economic growth will be possible."

He stated that in 1984, contrary to what had been reported, the economic decline amounted to 1 percent, less than the 1.7 percent that was announced. Azpuruá feels that this is significant, considering that the economy had been suffering a 5 percent drop in the GDP.

He stressed that the administration's efforts are focused on laying the groundwork for a sustained growth in the future, and this requires that public finances be reorganized and brought back to health. It also demands that a balance or surplus be maintained in the foreign debts.

[Question] What is happening to the unemployment rate?

[Answer] That is a fundamental problem which we will have to attack and overcome in the future. At present we do not have current figures on it, but I think it is important to note that the reactivation of the economy is a problem that concerns all of us, not just the government. For this reason, it is imperative that the private sector, both labor and management, come to grips with this situation and make a joint effort to seek solutions and practical ways to deal with this problem.

In Azpurua's opinion, this is the reasoning behind the formation of a tripartite commission, comprising the president of the republic and the presidents of the Confederation of Venezuelan Workers (CTV) and the Venezuelan Federation of Associations and Chambers of Commerce and Industry (FEDECAMARAS). The goal is to involve these key sectors in this common effort.

[Question] Although measures have been taken to inspire confidence, no noticeable effect has been seen in private investment. How do you explain this?

[Answer] I think that the private sector has made some important contributions in agriculture and livestock, and in some areas of industry. I think that the key, however, lies in the fact that mortgage banks are opening up their credit policies significantly, which will help mobilize private sector investment.

He noted that after so many years of economic stagnation, it is impossible to produce an immediate reactivation, since this is a gradual process that requires the creation of a climate of confidence in the country's abilities, and much tranquility and calm.

#### Bank Legislation Reform Will Boost Confidence

[Question] Nevertheless, former President Luis Herrera Campins points out that the administration is creating a climate of mistrust in the legal sphere by modifying the General Banking Act and the Central Bank of Venezuela Act, especially because the reforms are designed to serve special interests.

[Answer] The reform of the General Banking Act, as proposed by the administration, is a response to the desires of the general public. I understand perfectly well that some may comment on this, but they should not distort the purposes and objectives of the reform.

This position has been fully understood by the Senate Finance Committee, which has asserted that it will not be diverted from its original path.

Azpurua commented that the government's central objective is to give greater authority to the Bank Superintendency to intervene in financial institutions' stock transfers if they exceed a given percentage.

Secondly, regulations will be imposed to prevent the concentration of risk by financial institutions.

Third, administrative penalties will be increased to amounts commensurate with the present situation, and penal sanctions will be imposed for certain attitudes which, because of their impact on the public, demand severe legislative measures.

Azpurua feels that the administration is interested in consolidating and strengthening the financial sector, which is fundamental to a country's economy and plays a vital role as a credit intermediary.



[Question] The Senate committee has stated that it is willing to amend the article that limits the amount of credit that can be given to a business loan applicant to twice the amount of capital the business has available. Do you agree?

[Answer] In those cases where there are sufficient guarantees, real and well-founded guarantees, I think that an exception could be made to that limit. But it must be made clear that these guarantees must be sufficient, and liability must be determined in case the loan is not paid back.

[Question] There are also comments about the restriction of access to credit by bank directors' relations to the fourth degree of consanguinity. Do you believe these limits are too strict?

[Answer] On this point I also believe that changes can be made, making the regulation less rigid.

#### Current Spending Cut Won't Cause Unemployment

Azpuruá stated that the government's decision to cut current spending between 5 and 10 percent for the second half of the year will not affect efforts to stimulate the economy or allocations for public administration personnel costs.

"As far as we are concerned, the key is for public spending to be efficient, that is, for it to translate into a stimulus to the economy and the production of goods and services. The idea is to spend whatever we can on whatever needs it . . ."

In this regard, he believes that the cuts cannot affect personnel expenditures, but they can prevent wasteful spending, especially in the decentralized public administration.

[Question] How will this sector be controlled?

[Answer] Responsibilities will be assigned to the administrators of these entities. They must realize that this is a difficult time that requires sacrifice, and that resources should not be hoarded unnecessarily, but rather used in the appropriate way on the country's priorities, especially in the second half of this year.

[Question] If these austerity measures are being taken it is because oil prices are expected to fall. What are the official calculations?

[Answer] It is better to wait until after OPEC holds its meeting on the 22nd of this month. There is no denying that the market situation is difficult, and this forces us to be more prudent and to make every effort to exert more control over public spending. Targets must be set to improve labor productivity and yields.

Azpuruá stated that the administration, for its part, is improving the levels of tax collection, especially in the areas of cigaret taxes, customs duties, estate taxes, tolls and income taxes.

With regard to the liquor tax, which suffered a notable decline at the beginning of the year, revenues are rising steadily.

He recalled that the lowering of interest rates also yields significant savings. For every point the interest rate drops, the country saves at least \$260 million. At present, the difference is more than 3 points, which guarantees a minimum savings of \$780 million this year.

"If we add to this the fact that a reduction of \$1 in the OPEC price for a standard barrel means an equivalent amount in terms of tax revenues, we could have an important compensation in case of any emergency."

The finance chief does not want to be optimistic, however. He warns that these are difficult times, and all sectors must be cooperative and understanding, since it is not possible to fulfill everyone's expectations.

He asserted that today, more than ever, it is important to establish priorities. Among these goals are maintaining a balance in the external and internal accounts, launching an additional public sector investment program, emphasizing the promotion of the industrial and agricultural sectors as key areas, and gradually eliminating the mechanisms that hamper economic activity, such as red tape and regulations, particularly those applying to exports.

#### External Financing for 1986-88 Investment Plan

The finance minister observed that another of the administration's major priorities is to guarantee the establishment of this plan for 3 years (1986-1988) so that the projects the government will carry out during this period can be defined.

He explained that the exact cost of the program has not yet been determined, since first it is necessary to choose the projects that will be carried out over the next 3 years.

[Question] The operative plan submitted to Congress mentioned an overall investment of 45 billion bolivars, at a rate of 15 billion bolivars per year. How will a project of this nature be financed, especially now that oil revenues are falling?

[Answer] We are investigating the possibility of resorting to multinational organizations such as the Inter-American Development Bank, government export agencies, the credit that suppliers have traditionally granted, and the financing possibilities the Venezuelan Investment Fund may offer.

[Question] Isn't that an ambitious goal?

[Answer] We must bear in mind that at the same time, the administration is paying off its foreign and domestic debts. As the level of our indebtedness

declines, we will be able to obtain new loans, as long as they do not exceed the annual payment ceilings we have imposed, and they are invested in specific projects that have been carefully studied and will yield productive benefits.

According to Azpurua, two objectives will be achieved in this way: 1) Essential projects will be carried out for the country, and 2) the debt will shrink in absolute terms, since the new loans will never exceed the payments that are being made against the principal of the refinanced foreign debt.

[Question] Is there no plan to resort to international commercial banks again?

[Answer] For the present, that is not being considered, but Venezuela is satisfied that the banks are now interested in granting us international credit again.

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